The UK's most-shorted stocks revealed

Hedge funds think these companies share prices will fall...

Update
25 April 2025

With stock markets remaining in turmoil after US President Donald Trump's broadside to Federal Reserve chairman Jerome Powell, we thought it would be a good idea to take a different tack when assessing markets.

Most investors are what's known as long-only: they own individual stocks or collective funds in the hope of profiting as share prices rise over time. You can, however, also make money in stocks by betting that their share prices will fall – this is known as shorting.

We thought it would be interesting every now and again to see which stocks in particular hedge funds are shorting. If anything, it's a good idea to explore the bear case for all of one's individual long positions, so if any are in this list, one should familiarise oneself with the reasoning.

Regulations ensure that short positions of 0.5% or greater of a stock must be disclosed and the Financial Conduct Authority (FCA) tracks these disclosures. The website ShortTracker, which is run by Castellain Capital, is a good resource to find out quickly how much of a company's shares are being shorted.

Top 10 Most Shorted UK-Listed Stocks

COMPANY	% OF SHORT	NUMBER OF FUNDS SHORT
J. Sainsbury	6.5	7
Petrofac	6.5	2
Yellow Cake	6.4	8
Ocado Group	5.8	7
Aberdeen Group	5.7	6
Domino's Pizza	4.8	5
Close Brothers Group	4.7	5
Wood Group (John)	4.7	4
Indivior	4.2	5
Alphawave IP Group	4.1	6
Kingfisher	4.1	5
Vistry	4.0	5
Ashtead Technology	3.8	6
AFC Energy	3.7	2
Boohoo Group	3.6	4

Source: Shorttracker.co.uk , as of 23/04/2025

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Retailers

UK-based retailers are well-represented in the list, as of 23/04/2025, with hedge funds betting that measures brought about by the new government might dampen consumers' spirits and hit discretionary spending.

Indeed, a March poll by the accounting firm KPMG showed that 58% of people thought that the UK economy was weakening, 15 percentage points higher than the last time they did the survey in December. KPMG said that 43% of people were reducing their spending on everyday items, while 29% said they were deferring big-ticket purchases.

This has led to an uptick in hedge funds betting that share prices in the consumer sector will fall. Short interest in the supermarket chain **Sainsbury's (SBRY)** has risen from 2.9% in January to 6.5% today to make it the most shorted stock in the UK.

Other consumer-focused companies in our top 15 include the online retailer **Ocado (OCDO)**, the pizza seller **Domino's (DOM)**, the B&Q and Screwfix owner **Kingfisher (KGF)** and the fast-fashion firm **Boohoo (DEBS)**.

Energy and Commodities

With the gold price surging, it may be surprising to see some commodity-related names on this list, but other commodity prices have fallen and many firms have stock-specific problems.

Last May, the energy infrastructure provider **Petrofac (PFC)** failed to pay the interest on some of its debts, which led the ratings agency Fitch to downgrade its credit rating. It is now in the process of a massive restructuring of its debt and equity that many believe is likely to dilute existing shareholders.

The share price has fallen c. 75% in the past 12 months and c. 95% over the past five years and short-sellers have been closing out their positions. The percentage of PFC shares that have been sold short has fallen from c. 11.6% in February 2024 to just 6.5% today.

Yellow Cake (YCA), which sits in joint-second place with 6.4% of its shares being shorted by eight hedge funds, physically owns uranium, the primary fuel source for nuclear power plants, making it a good proxy for investing in the commodity.

Unfortunately for YCA shareholders, uranium futures prices have fallen c. 39% since January 2024, leading to heavy falls in related stocks. YCA shares are down c. 44% since its most recent high.

Finance

Some financial firms have been hit, too, most notably **Close Brothers (CBG)**, which has been caught up in a car finance scandal that the FCA recently said could be as big as the PPI mis-selling saga, which cost banks billions of pounds in redress.

CBG recently scrapped its dividend and said that it expects the scandal to cost it £200 million this year alone. Since judges ruled it was unlawful for lenders to have paid a commission to car dealers without borrowers' knowledge, in October, short interest in CBG has risen from 0% to 4.7% today, having peaked at 5.7%.

How shorting works

Shorting is typically the domain of hedge funds. The process is that the shorter will borrow shares of a particular company from a stockbroker or an investment bank, then sell those shares at the current share price. If the share price falls as they expect, they can then buy the shares back at a lower price, return the shares they borrowed back to their original owner and pocket the difference.

As a worked example, let's say you borrow 10,000 shares in a company whose share price is £1. You sell those for £10,000 and the share price then falls to 50p. You can buy shares in the open market for £5,000 and return them to whoever you borrowed them for and you have a £5,000 profit, minus the fee you paid to loan the shares and other trading costs.

The risk, of course, is that the share price actually rises. If the share price goes to £2, you'll spend £20,000 buying them back, giving you a loss of £10,000.

Indeed, the biggest risk involved in short-selling is that your losses can be potentially unlimited: when going long, the most you can lose is 100% of your capital, but share prices can theoretically rise to infinity. Say the share price in our example went to £10, you'd then be facing a loss of £90,000. In percentage terms, that's a 900% loss.

Investment trust options

It is possible for sophisticated retail investors to buy exchange traded products that short some individual companies or indices. However, added to the risk we discussed earlier, these are generally also leveraged, making them even less appropriate for readers. In our view, shorting is best left to the pros.

However, you can benefit from short-selling through the investment trust structure. Within the UK market, **BlackRock Throgmorton (THRG)** uses short positions as an opportunity to create additional alpha over both its UK smaller companies peer group and its Deutsche Numis Smaller Companies plus AIM ex IT Index benchmark. Over the past 10 years THRG's short book has added approximately 30 bps to performance on an annualised basis.

One retail-focused company within THRG's short book warned on profits in the second half of 2024, delivering 40 basis points of alpha and manager Dan Whitestone has recently taken short positions in selected domestic retailers that he believes face the additional headwind of higher National Insurance contributions.

Another option is **Fidelity Emerging Markets (FEML)**, which goes long and short companies within developing countries. FEML has been quite active within its short book. It maintains its short positions within sectors such as Chinese property, where companies are highly indebted, and within some battery makers. It has also recently introduced shorts within the container shipping sector and in the Indian consumer staples sector.

One fund that has exposure to shorting is **Majedie Investments (MAJE)**, which aims to identify high alpha opportunities around the world with a portfolio akin to a liquid endowment. Its second-largest single position is the Helikon Long-Short Equity Fund.

Shorting is certainly a risky pastime for ordinary investors, but the strategy is useful to provide some sources of return that are uncorrelated to equity and bond markets. Again, the investment company structure comes up trumps, providing broader ways of weaving shorting into your portfolio.

Register for our webinar with PAC on 30th April

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