STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

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Contents

Three important things in this week's magazine

1

Marks & Spencer has seen 11 upgrades to earnings forecasts this year.

The turnaround story has legs and consensus forecasts could see further upgrades judging by its recent performance.

2

After all the hype over its US stock listing, chip designer Arm has not lived up to expectations with its first update.

It was the most anticipated float of 2023 but shares in the UK tech champion now trade back at their IPO price after disappointing guidance.

3

With discounts to net asset value at unprecedented levels, investments trusts may face little option but to find a merger partner.

We look at the names in the frame and whether mergers are a good or a bad thing for investors.

Visit our website for more articles

Did you know that we publish daily news stories on our website as bonus content? These articles do not appear in the magazine so make sure you keep abreast of market activities by visiting our website on a regular basis.

Over the past week we've written a variety of news stories online that do not appear in this magazine, including:

Auto Trader races to new high, topping the FTSE after blow-out results

Advertising group S4 Capital issues third profit warning in as many months

Wall Street Week: Does the latest rally in US stocks mean it's time to believe in miracles?

Why BAE Systems' order book will continue to grow this year

Diageo and Richemont disappoint investors as luxury sales growth slowdown continues

Economic uncertainties, geopolitical tensions and higher interest rates have caught up with the sector

Global spirits leader **Diageo's (DGE)** shares plunged last week after the Johnnie Walker whisky maker warned on first half profits amid worsening sales in the Latin American and Caribbean region, where macroeconomic pressures have resulted in lower consumption and 'consumer downtrading'.

Diageo's shock earnings alert, combined with the slower growth now being experienced by other high-end product purveyors, shows luxury goods companies aren't immune to economic downturns after all and central bank rate hikes are finally curtailing the spending of even their well-heeled consumers.

Guinness, Captain Morgan and Casamigos-maker Diageo pinned the blame on materially weaker performance in Latin America and the Caribbean, while the slower-than-expected post-Covid recovery in China has hardly helped.

On the same day, posh watch and jewellery retailer **Richemont (CFR:SWX)** posted disappointing first-half profits due to a weaker economic climate and geopolitical tensions. The Cartier, Montblanc and Van Cleef & Arpels brand owner's sales rose 6% to €10.2 billion in the half ended 30 September 2023, below the €10.34 billion analysts had predicted.

Richemont chairman Johann Rupert said second-quarter growth had eased as 'inflationary pressure, slowing economic growth and geopolitical tensions began to affect customer sentiment, compounded by strong comparatives. Consequently, we have seen a broad-based normalisation of market growth expectations across the industry.'

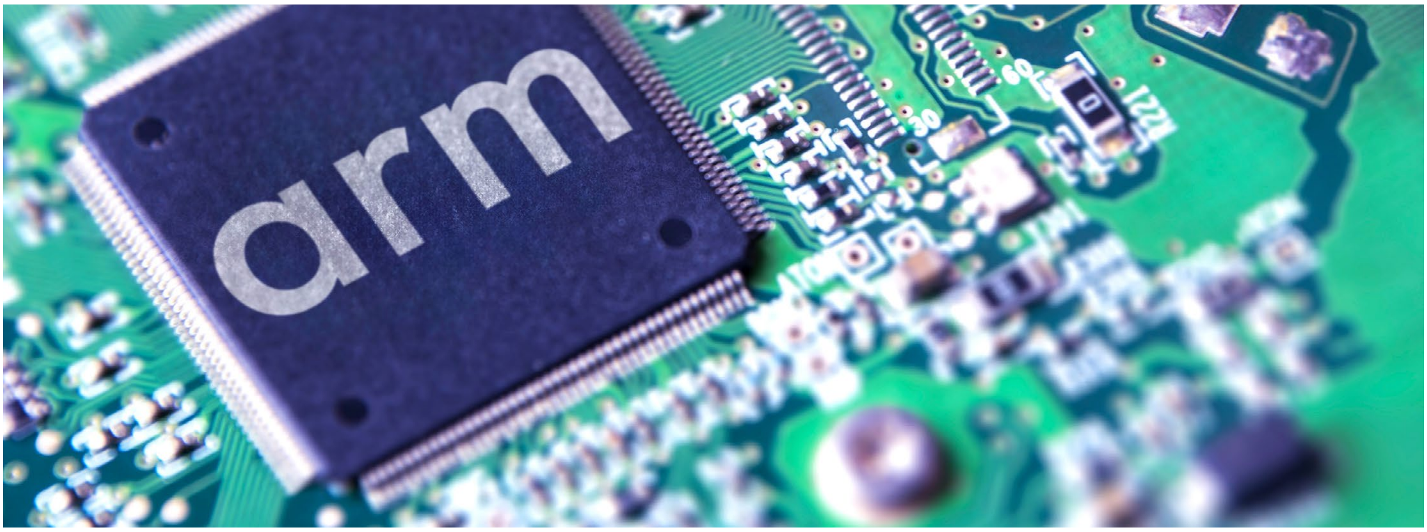
The idea that luxury goods companies are immune to economic downturns is slowly beginning to unravel, with the likes of **LVMH (MC:EPA)**, beauty and cosmetics colossus **Estee Lauder (EL:NYSE)**, **Ralph Lauren (RL:NYSE)** and **Watches of Switzerland (WOSG)** all talking about a mid-year slowdown in growth.

Now added to that list is **Tapestry (TPR:NYSE)**, the Coach-to-Kate Spade owner which agreed to buy Michael Kors owner **Capri (CPRI:NYSE)** in August. On 9 November, Tapestry trimmed its 2024 sales forecast, citing currency headwinds and 'a more moderate operational outlook for Asia and North America'.

Yet it is a nuanced picture - recently, luxury lifestyle product purveyor Ralph Lauren confounded gloomy expectations by posting forecast-beating second-quarter sales thanks to a recovery in its China business and more affluent US customers buying its upmarket jumpers, Polo shirts and handbags ahead of Christmas, although the company was increasingly cautious about wholesale demand.

Also showing resilience of late is luxury watch retailer Watches of Switzerland, whose shares rallied last week after the company revealed an ambitious plan to more than double sales and profits by 2028. Watches of Switzerland reported improved second quarter trading, including an 11% sales uptick in the US, and reiterated its full year 2024 guidance. Nevertheless, the shares are down 40% over one year on growth concerns and fears key supplier Rolex may move to a direct sales channel following its takeover of retailer Bucherer. [JC]

Chart: Shares magazine • Source: LSEG



Arm’s shares have given up all the gains made immediately after its IPO

The hype has quickly faded from the UK chips designer after disappointing earnings guidance

Retail investors hoping to make big gains from investing in **Arm (ARM:NASDAQ)** have stomached the first setback from the company since its return to the stock market two months ago.

The UK chip architecture designer Arm, which listed ADRs (American Depository Receipts) on US exchange Nasdaq at $51 in September amid heavy fanfare, was red-faced after having to reel back expectations for the three months to 31 December. Arm blamed large licensing deals that may happen later than previously thought.

Arm now sees third quarter earnings per share in the range of $0.21 to $0.28, compared to the previous consensus of $0.27, while the company expects revenue in the range of $720 million to $800 million.

There is relief for investors with the $53 billion company still roughly on track to match forecasts for the full year to 31 March 2024, with earnings per share seen in the range of $1.00 to $1.10, compared to the consensus estimate of $1.04, and revenue of $2.96 billion to $3.08 billion, compared to the consensus of $2.96 billion.

Arm used to be a UK-listed stock but delisted when Japan’s Softbank acquired the company in 2016. It returned to the market this year, opting for a US listing. Having surged 25% to $63.59 on their first day of trading in the US, the shares have since drifted back to the IPO price.

Despite beating expectations for its second quarter, which included quarterly revenue topping $800 million for the first time, Arm and the wider chip industry have faced significant headwinds this year.

Just days after Arm’s IPO, *Reuters* reported Taiwan’s **TSMC (2330:TPE)**, the world’s largest contract chipmaker, had asked its suppliers to delay deliveries amid concerns over slowing demand. This followed a growth warning from TSMC in July, where chief executive CC Wei warned that a boom in artificial intelligence development was unlikely to offset a broader, cyclical slowdown in the industry.

‘Straight out of the IPO gates you would expect a company to beat expectations and raise guidance – that would be prudent stock management,’ said Ben Barringer, an analyst at wealth manager Quilter Cheviot. ‘Arm has failed in doing that and there are risks for the company in China, as was highlighted ahead of the IPO.’

Despite the setbacks, the second quarter results still included evidence of strong operational execution, which bolstered margins. There are also multiple growth opportunities ahead, such as benefiting from industry investment in data centres, automotive electronics expansion and artificial intelligence, the theme that had dominated technology talk all year. [SF]

Why UK shares are vulnerable to further takeovers in 2024

The UK stock market trades at a big discount to rivals which is encouraging bidders

UK shares have lagged their US and European counterparts significantly since 2016 leaving them vulnerable to takeover by more highly-valued peers and private equity groups which are still flush with cash, argue Shore Capital research analysts Rob Sanders and Chris Bottomley.

Since June 2016, at the time of Britain's vote to exit the EU, the S&P 500 index has doubled, Japan's Nikkei is up 80%, the German blue-chip DAX index is up 44% and the French CAC is up 54%.

By contrast, the domestically focused FTSE 250 index is down by 1.4% while the FTSE 100 is up 15.5% and the FTSE AIM All-Share is up 14% demonstrating broad-based underperformance.

Heading into 2024, the analysts reckon many UK companies are in a position where their undervaluation will be addressed 'one way or another'.

In 2023 alone over 40 takeover deals have been completed or are due to complete across various sectors suggesting broad-based cheapness rather than concentration in one or two industries.

The targets have also been varied in terms of market capitalisation from small-caps like Best of the Best to heavyweights such as animal pharmaceutical specialist **Dechra Pharmaceuticals (DPH)**.

From the beginning of 2017 to the end of September 2023, the value of mergers and acquisitions has topped £340 billion according to law firm Ashurst with an average premium paid of 35%.

Perhaps demonstrating increased confidence from bidders, the average bid premium in 2023 has risen to 60% which is the highest since 2020.

Odyssean Capital, which manages the **Odyssean Investment Trust (OID)**, points out that UK shares trade at a 26% discount to fair value based on the Canaccord Quest valuation model compared with an average 20-year premium of 3%.

By the same measure, UK small- and mid-caps trade at a 28% discount compared with a 20-year average premium of 19%. These ratings are in stark contrast to the US market which trades at a 55% premium compared with a 20-year average premium of 39%.

Which stocks look vulnerable to a takeover approach? Shore Capital highlights language and technology specialist **RWS (RWS:AIM)** as 'open' for further takeover discussions given the 'low valuation' of the shares and the fact long-standing chairman Andrew Brode is moving to a non-executive role.

In 2022, Baring Private Equity Fund held preliminary talks with the company before walking away.

Shore's Bradley Hughes believes all-day dining operator **Loungers (LGRS:AIM)** could be subject to an 'opportunistic bid' providing a full exit for private equity group Lion Capital which owns 26% of the group.

Hughes says he is 'encouraged' that Lion has been a net seller of shares since Loungers listed on AIM and thinks it would be 'happy' to exit completely. [MG]

Potential takeover targets

Potential takeover targets
Entain
FD Technologies
Future
Loungers
Norcros
OSB
Oxford Instruments
RWS
Serco
Volution
Watches of Switzerland
Whitbread

Table: Shares magazine • Source: Shore Capital

Pearson shares on a roll after profit guidance upgrade and hiring a new CEO

The shares have been in a rising trend for the past three months

Shares in education media group **Pearson (PSON)** have been in a rising trend since August, up 19% to 968p as investors reappraise the company's prospects.

Helping to sustain the upward share price movement was a well-received trading update on 30 October where the company upgraded its full-year operating profit guidance by £20 million to a new range of £570 million to £575 million and started a new £300 million share buyback programme.

Omar Abbosh will become the company's new chief executive on 8 January 2024, taking over from Andy Bird who has been in the role for the past three years. With a background in the technology sector and currently working for **Microsoft (MSFT:NASDAQ)**, Abbosh is expected to accelerate Pearson's efforts to embrace technology to improve the way it delivers services to customers.

Pearson has already received positive feedback from its use of generative artificial intelligence and plans to do more in this space. For example, it recently launched a beta version of AI study tools to help students better learn and understand challenging subjects. [SG]

Chart: Shares magazine • Source: LSEG

$31 billion marketing tech group Trade Desk slumps on Q4 guidance

It's the latest growth stock to suffer from the slighest bit of bad news

Highly rated growth stocks are experiencing big share price declines on the mere hint of a sales and earnings slowdown which explains why $31 billion marketing technology company **Trade Desk (TTD:NASDAQ)** slumped after it cut fourth quarter guidance.

The stock has fallen 21% since publishing third quarter results on 9 November, in which it dropped the growth bombshell that EBITDA (earnings before interest, tax, depreciation and amortisation) would be nearer $270 million rather than the $291 million consensus on revenue of $580 million versus $610 million expected.

Investors are clearly disappointed, although this is not the first time the stock has fallen sharply. It is a volatile stock that has suffered steep declines multiple times this year alone, even if the company has a solid track record for meeting or beating estimates overall.

The shares remain highly rated even after the latest share price slump, trading on 45 times forecast earnings for the next 12 months versus an industry median rating of 14-times, according to LSEG data. [SF]

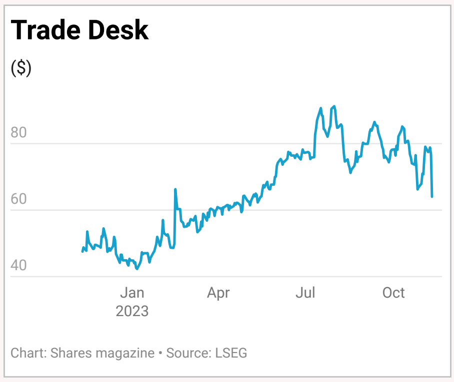


Chart: Shares magazine • Source: LSEG

UK UPDATES OVER THE NEXT 7 DAYS

FULL-YEAR RESULTS

20 November: Compass, Diploma

22 November: Grainger, Sage, Britvic

HALF-YEAR RESULTS

17 November: Record

20 November: Polar Capital, Thruvision, Big Yellow

21 November: Cranswick, Trifast, Intercede, Accsys Technologies, AO World, Eckoh, Telecom Plus, Workspace, Caledonia Investments

22 November: HICL Infrastructure, Speedy Hire, Helical, Johnson Matthey, NextEnergy Solar Fund

23 November: FirstGroup, Paypoint, Mitie, First Property, XPS Pensions, NewRiver REIT, Alpha Financial Markets Consulting

Dire summer weather likely to have put a dampener on Britvic's volumes

The soft drinks company has experienced headwinds from poor summer weather to a more health-conscious consumer

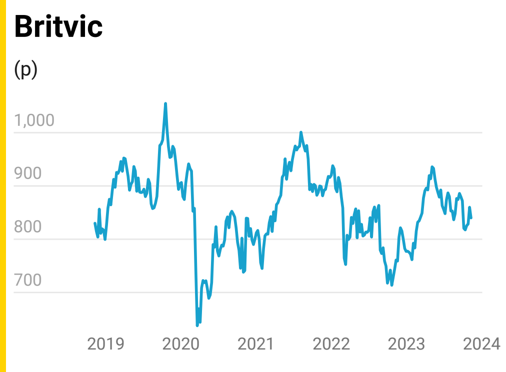


Chart: Shares magazine • Source: LSEG

Soft drinks business **Britvic (BVIC)** serves up full-year results on 22 November, when investors will be thirsty to learn how volumes are holding up at the Fruit Shoot, Robinsons and Tango maker which also produces and sells brands including Pepsi and 7UP in Great Britain and Ireland under exclusive agreements with **PepsiCo (PEP:NASDAQ)**.

Price hikes and volume growth helped Britvic's revenues to bubble up 9.9% in the third quarter to 30 June 2023 and the beverages firm said demand for its family favourite brands remained 'buoyant' ahead of the key summer selling period.

Unfortunately, forecast-beating earnings seem unlikely given the poor weather seen in Britvic's fourth quarter, while the FTSE 250 firm faces a volume headwind from an increasingly health-conscious consumer, though it has future-proofed prospects by investing in its low-sugar portfolio. Brand performances in focus will include growth driver Pepsi MAX and energy drink Rockstar, which has disappointed since Britvic took over production from **AG Barr (BAG)** in late 2020, while investors will also be looking for signs of a sales turnaround in growth market Brazil, where sales dipped in Q3.

The FTSE 250 drinks firm may discuss progress with recent acquisitions including energy brand Extra Power, which has boosted Britvic's growth prospects in Brazil, as well as Jimmy's Iced Coffee and Plenish, the plant-based brand Britvic snapped up in 2021. [JC]

What the market expects of Britvic

	EPS (p)	Revenue (£bn)
Forecast for 2023	58.2	1.76
Forecast for 2024	62.4	1.85

Table: Shares magazine • Source: Stockopedia. Year-end: 30 September

Can Nvidia beat forecasts again when it reports Q3 numbers?

The AI chip champion has a high bar to clear, but it has done it before

After a 237% share price gain this year, you might think **Nvidia (NVDA:NASDAQ)** has gone off the boil based on recent market performance. The stock has only moved 6% higher over the past month, limp by its previous monthly standards, but you can expect anticipation to start building ahead of third quarter figures which are published on 21 November.

The AI (artificial intelligence) chip champion has bettered expectations in each of the past three quarters and skipping a soggy third quarter for earnings last year, it's a forecast-thumping record that stretches back to 2019.

Analysts are predicting another rampant growth quarter for Nvidia, with consensus pitched at earnings per share of $3.35 on $16 billion revenue. That implies 24% and 19% growth respectively over the second quarter, and about three times the levels recorded a year ago.

Any threat to those projections, or to fourth quarter guidance, look more likely to stem from supply constraints rather than any dip in demand, although neither look likely given the significant investment being thrown at AI and machine learning by chip manufacturing and major tech companies and clients.

Investors should expect to hear more about its DGX system, something Nvidia calls its 'AI supercomputer' and 'the blueprint of AI factories' being built across the globe, possibly whetting the appetite of investors all over again.

Chart: Shares magazine • Source: LSEG

What the market expects of Nvidia

	EPS ($)	Revenue ($bn)
Q2, 2023	2.70	13.51
Forecast for Q3, 2023	3.35	16.11
Forecast for Q4, 2023	3.73	17.78

Table: Shares magazine • Source: Investing.com

US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

November 20:
Agilent Technologies, Keysight Technologies

November 21:
Nvidia, Lowe's, Medtronic, Analog Devices, Autodesk, HP, Zoom Video, Jacobs Engineering, Best Buy

November 22:
Deere & Co, Copart

November 23:
PDD Holdings

Meat supplier Cranswick is a tasty stock to own

It has underappreciated opportunities to grow

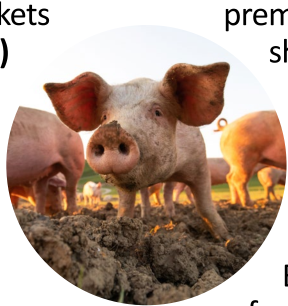
BUY

Cranswick

(CWK) £35.98

Market cap: £1.94 billion

Investors hungry for a stock with positive earnings momentum and which has racked up 33 years of unbroken dividend growth should buy **Cranswick (CWK)**, a key supplier of pork and poultry products to supermarkets including **Tesco (TSCO)**, **Sainsbury's (SBRY)** and **Marks & Spencer (MKS)**.



Admittedly the consumer backdrop is tough, but Cranswick's retail customers are outperforming peers. Notably Britain's biggest grocer Tesco, which recently called out UK food as being 'particularly strong' in a positive read-across for Cranswick this Christmas.

Meanwhile, the potential of Cranswick's pet food business remains underappreciated and analysts at Berenberg have a £46.20 price target which implies meaty upside of 30%. *Shares* sees scope for further earnings forecast upgrades, potentially as early as the first half results on 21 November.

PROTEIN-POWERED GROWTH

Food manufacturer Cranswick supplies the retail and food-to-go sectors with everything from joints, gourmet sausages and gammon to air-dried bacon and pigs in blankets. It grew revenues by 14.7% in the first quarter to 24 June with demand remaining 'resilient' in core categories.

Cranswick continues to win share in the pork market, where constrained pig supply means prices are expected to remain high; the firm has pedigree in successfully passing these prices on to customers.

The company has also built scale in poultry, the big winner from the cost-of-living crisis as shoppers trade down from pricier alternative proteins.

One exciting yet overlooked growth opportunity for Cranswick is pet food, a market it entered in January 2022 following the acquisition of Grove Pet Food, which produces dry dog food, supplies stores such as **Pets at Home (PETS)** and whose products are well placed to benefit from 'premiumisation' and the 'humanisation' of pet foods.

Berenberg expects Cranswick's pet food position will be aided by its 'strong relationships with UK supermarkets' and argues successful expansion into pet food is 'likely to present a re-rating opportunity, with a higher multiple placed on the pet food businesses'.

RISKS TO CONSIDER

Risks to consider with Cranswick include the potential for disease outbreaks, which could result in loss of pig or poultry meat supply. Also, since the bulk of Cranswick's products are positioned as premium, volumes could come under pressure should the cost-of-living squeeze drag on.

Reassuringly, Cranswick is a cash generative company with fairly low leverage and the balance sheet firepower for further acquisitions.

For the financial year to March 2024, Berenberg forecasts a pre-tax profit rise from £140 million to £161 million, fattening up to £176 million by 2025.

Based on this year's earnings and dividend per share estimates of 222p and 83.3p respectively, the shares trade on a prospective price to earnings ratio of 16 times and offer a yield of 2.3%. [JC]

Cranswick

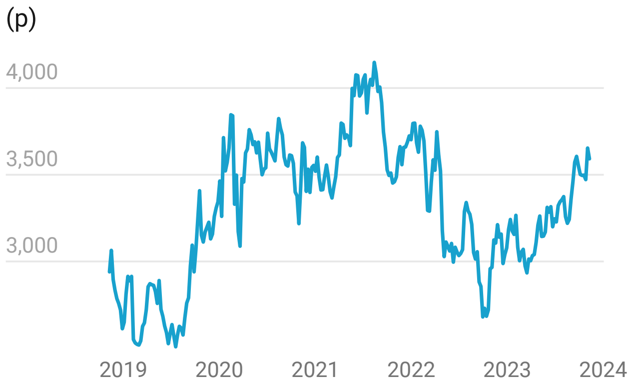


Chart: Shares magazine • Source: LSEG

Find out how the Invesco European Focus Fund hopes to benefit from the next investment cycle

A new regime of deglobalisation and higher rates may throw up more growth opportunities

Invesco European Focus Fund

(BJ04GL7) £3.72

Assets Under Management: £82.2 million

European equities do not naturally spring to mind when thinking about growth but that is wrong-headed according to fund manager James Rutland who runs the **Invesco European Focus Fund (BJ04GL7)**.

Against a tough market backdrop the fund has delivered handsome gains with a three-year return of 54% compared with 21% for the Investment Association's Europe Ex-UK sector.

Showing it has more than one string to its bow, the fund also outperformed during 2022 posting a 1.5% return against an 18.5% drop for the sector.

Shares believes the fund is a great choice to get exposure to an underappreciated region and a team with a strong track record.

The reason for Rutland's optimism is that he and the Invesco team believe the next investment cycle will be very different and provide better growth opportunities for European companies.

In contrast to the very low and sometimes negative interest rates of the past, Rutland says the next cycle will be characterised by positive interest rates which he believes will have a big impact on how investors should position portfolios.

Other supporting factors are government policy, which has decisively moved away from austerity policies towards investment, and a change in the direction of globalisation.

Rutland notes that companies are diversifying supply chains and bringing manufacturing towards domestic shores in response to the pandemic. These factors are likely to support a change of fortunes for European companies relative to the US.

In addition, the tailwind enjoyed by US growth stocks from ultra-low interest rates is likely to turn into a headwind in a persistently higher inflation and higher interest rate environment.

A key part of the manager's investment philosophy is the belief that the market struggles to correctly value companies undergoing positive change. The team specialises in finding these market blind spots and taking advantage of mispricings.

The focus is on finding companies which the team believe can deliver strong returns over the medium-to-long term through a dominant market position or successful restructuring.

The fund has a concentrated portfolio of between 30 and 40 names and the top-10 holdings account for around 37% of the value of the portfolio.

Top positions include French oil giant **TotalEnergies (TTE:EPA)**, German pharmaceutical firms **Merck (MRK:ETR)** and Swiss peer **Roche (ROG:SWX)**.

Other holdings include financials **AXA (CS:EPA)**, **BNP (BNP:EPA)** and **ING (INGA:AMS)** as well as global brewer **Heineken (HEIA:AMS)**.

The fund has an annual ongoing charge of 0.8%. [MG]

Now is the perfect time to invest in this infrastructure trust

3i Infrastructure's portfolio of essential businesses is generating double-digit earnings growth

3i Infrastructure (3IN) 305p

Loss to date: 3.2%

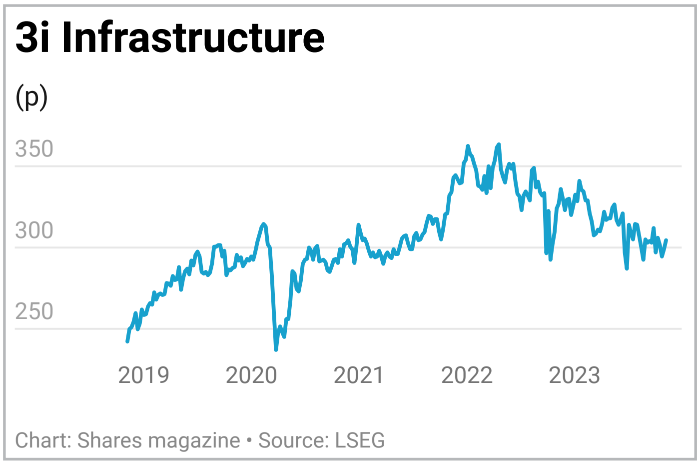
We recommended buying investment trust **3i Infrastructure (3IN)** on the strength of its portfolio, which is made up of companies providing 'must-have' services not just 'nice-to-haves', and its ability to add value to those businesses and monetise the investments when the opportunity arises.

WHAT HAS HAPPENED SINCE WE SAID TO BUY?

The company has exceeded expectations, generating a first-half total net asset value (NAV) return of 6.3% against its full-year target of between 8% and 10%, lifting NAV per share to 351p, despite taking a sizeable write-down on the value of one of its smaller businesses.

The key event of the first half was the sale of its 25% stake in Dutch waste treatment business Attero at a 31% premium to its last valuation in March 2023, with the proceeds going to paying down part of its revolving credit facility.

Meanwhile, underlying earnings from its investee companies have continued to grow by double digits and the businesses themselves are almost entirely self-funding when it comes to their investment needs.



3i recently sold its stake in Dutch waste treatment business Attero

'3i Infrastructure's results demonstrate the quality of its portfolio investments and benefit of its active management approach which has resulted in another period of NAV returns ahead of target,' say analysts at Numis.

While we expect more disposals and debt reduction down the line, for the time being the firm is earning a healthy spread over its cost of borrowing and is approaching a neutral net debt position.

WHAT SHOULD INVESTORS DO NOW?

With interest rates appearing to have peaked, in the UK at least, we expect investors will start to look once again at so-called 'long-duration' assets such as infrastructure and 3i Infrastructure has the highest-quality portfolio on offer.

The shares are little changed since July while the NAV has risen, so the discount is now 11.6% compared with 5% four months ago, making this an ideal time to add to holdings.

Numis describe the current share-price rating as 'undemanding for access to a high-quality portfolio and proven management team'. We couldn't agree more. Keep buying the shares. [IC]

Disclaimer: The author owns shares in 3i Infrastructure

CC Japan Income & Growth Trust plc
An AJ Bell Select List Investment Trust

Uncovering income & growth opportunities in Japan

Portfolio manager Richard Aston's valuation-disciplined; total return approach is designed for investing in the Japanese stock market of today. With the strategy's core focus on consistent and improving shareholder returns, Richard looks to provide a stable income via dividends and share buybacks from Japanese companies of all sizes. Richard's high conviction and index agnostic portfolio aims to capture the key beneficiaries of Japan's improving corporate governance and ongoing structural economic reforms.

THE INCREASING IMPORTANCE OF DIVIDENDS IN JAPAN

Dividends, as well as share buybacks, continue to rise in Japan thus improving shareholder returns for investors. With a focus on companies that can provide both a stable dividend AND can demonstrate the ability to grow, CC Japan Income & Growth Trust aims to capture the best ideas that corporate Japan has to offer across sectors, the full market cap spectrum and even geographical reach (domestic, regional & global leaders).

The income focus warrants a disciplined approach to valuation and detailed fundamental research prevents the Trust from overpaying for high-growth companies that are often priced for perfection, whilst also avoiding cheap unloved stocks that are in-fact value traps.

The Trust's consistent and disciplined approach has demonstrated that it can perform throughout the cycle having meaningfully outperformed the TOPIX Total Return (in GBP) since launch in December 2015.

To find out more visit:
www.ccjapanincomeandgrowthtrust.com

Performance Track Record

Total Return	12 months to 31/10/2023	12 months to 31/10/2022	12 months to 31/10/2021	12 months to 31/10/2020	12 months to 31/10/2019	Since Inception (15/12/2015)
Share Price	20.9%	-7.1%	33.2%	-17.8%	-5.5%	94.9%
Net Asset Value (cum inc)	18.9%	-5.9%	24.5%	-11.2%	4.3%	117.4%
TOPIX (in GBP)	12.0%	-9.5%	11.9%	0.5%	1.9%	80.3%

Source: Independent NAVs are calculated daily by Apex Listed Companies Services (UK) Limited (by Northern Trust Global Services Limited pre 01.10.17.) From January 2021 Total Return performance details shown are net NAV to NAV returns (including current financial year revenue items) with gross dividends re-invested. Prior to January 2021 Total Return performance details shown were net NAV to NAV returns (excluding current financial year revenue items) with gross dividends re-invested. Ordinary Share Price period returns displayed are calculated as Total Return on a Last price to Last price basis. Past performance may not be a reliable guide to future performance. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. All figures are in GBP or Sterling adjusted based on a midday FX rate consistent with the valuation point. Inception date 15.12.15. Investments denominated in foreign currencies expose investors to the risk of loss from currency movements as well as movements in the value, price or income derived from the investments themselves and some of the investments referred to herein may be derivatives or other products which may involve different and more complex risks as compared to listed securities. CC Japan Income & Growth Trust plc (the Company) does not currently intend to hedge the currency risk.

There are signs of life in the London commercial property market

Recent British Land decision shows there is a real split between winners and losers in offices

There was a telling piece of information in the latest trading update from UK property investor **British Land (BLND)**. Faced with a situation where Facebook-owner **Meta Platforms (META:NASDAQ)** had decided break its lease on 1 Triton Square on British Land's Regent's Place 'campus' (at a cost to the social media giant of £149 million), the latter felt confident enough to reject Meta's offer of an occupier to take the lease.

Instead, the company felt there was more value in taking the office back and reletting it – with conviction it would be able to do so at higher rates. There is no doubt the working lives of office dwellers has changed dramatically since the pandemic. Forced to stay at home due to Covid restrictions, workers found they rather liked having a better work/life balance as they avoided spending ages getting to and from the office.

While some organisations have really pushed to get people back at their desks, most seem to have settled on a hybrid model with workers spending a mix of days in the office and at home. There has also been a pronounced shift to hot-desking – with staff no longer guaranteed their own reserved spot.

These trends have been particularly marked in the UK. According to a Morgan Stanley 'AlphaWise' survey, the UK has seen the largest increase in home working with just 30% of respondents working a full week in the office versus 63% pre-Covid and the average number of days per week worked from home doubling from one to two.

Therefore, if businesses want to get people into the office they need to make them appealing places to be and ensure they are in the right locations. Other big considerations are sustainability – as tenants want to ensure they are future-proofed against more stringent environmental regulations – and flexibility to enable space to be used in different ways.

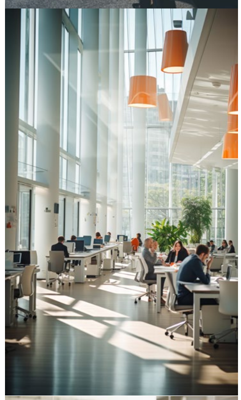
As the Morgan Stanley analysts comment: 'While the AlphaWise survey shows work from home and hot-desking headwinds are more embedded in the UK office market than in Europe and even the US, the confirmation of a gravitation towards city centres and amenity-rich buildings plays into the central London operators' hands, particularly when you consider the disproportionate level of tenant demand for green and modern buildings, which is what the listed London office landlords own.'

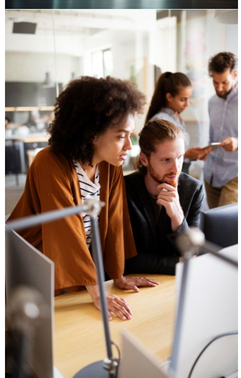
Other companies which have material exposure to London offices include **Land Securities (LAND)**, **Shaftesbury Capital (SHC)** and **Derwent London (DLN)**. It is notable that their discounts are significantly narrower than that endured by **Regional REIT (RGL)**. British Land's is around 40%, for example, while Regional REIT's approaches 60%.

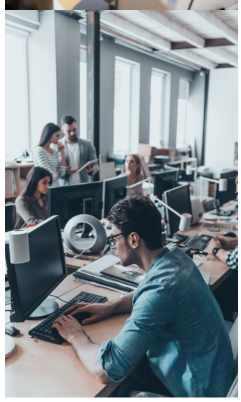
As its name suggests Regional REIT owns and manages regional offices, an area neglected by investors since the financial crisis but which is performing well despite the market's reservations.

Aside from good occupier demand, there is a strong and growing market in alternate use with the firm recently selling a Glasgow office block to a buyer in the student accommodation sector for a 24% premium to its most recent valuation.

Disclaimer: The editor of this article (Ian Conway) owns shares in Regional REIT





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Here is why Marks & Spencer is finally a thrilling investment

The shares have been rising all year and we see more to come

Retailer **Marks & Spencer (MKS)** is the gift that keeps on giving. Its share price is up 162% since October 2022, dividends are back after a four-year absence, and analysts keep finding reasons to upgrade earnings forecasts. In fact, the analyst consensus earnings estimate has increased 11 times this year, according to Stockopedia data.

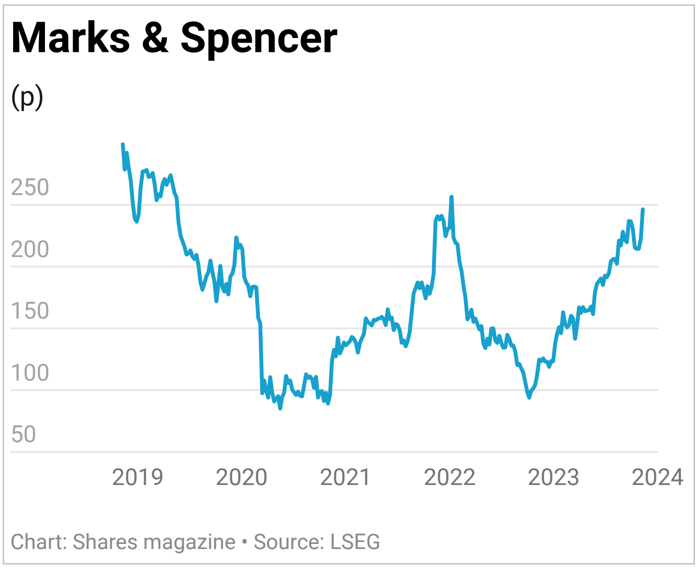
Earnings growth is a key driver for share price growth so it makes sense the shares have done so well in 2023. The business has finally found its groove after a long time in the doldrums.

This is also a classic example of why it can pay to invest in a company delivering good news. Marks & Spencer has made considerable progress this year and each trading update or set of results has provided enough information for investors to keep wanting to pay a higher price for the shares.

Can the company sustain this momentum? Analysts and fund managers seem to think so. Peel Hunt called the half-year results on 8 November 'embarrassingly good', adding: 'We believe Marks & Spencer is doing many things right but there is more to do, which is true of the shares as well. It is one of our top picks in the (retail) sector.'

Peel Hunt used the word 'embarrassing' because the £360 million pre-tax profit figure achieved in the six months to 30 September 2023 was significantly ahead of the £275 million market consensus. Analyst predictions are rarely that wide of the mark.

It is notable that non-executive director Cheryl Potter spent £123,500 on buying shares straight after the latest results. Traditionally after a big share price rally you might see an investor take profit. Her investment amounts to a decent chunk of personal money and sends a positive signal to the market.



WHY IS THE BUSINESS DOING WELL?

Food sales continue to be strong, helped by a strategic decision to push more value ranges. Clothing sales ticked higher thanks to more appealing designs and less formalwear which is resonating with the public.

Initiatives such as freezing school uniform prices are a good move, helping to bring in shoppers and that might explain why children's casual clothes are also selling well. Profits have also benefitted from more cost savings across the business.

Marks & Spencer positions itself as a retailer that provides value for money. Clothing products and food items are high quality and that puts the brand front of mind for shoppers who want to feel their hard-earned cash is going towards something decent.

The company has already achieved two of the five-year strategic goals set last year – namely having at least 10% margins in clothing and 4% in food. It is no wonder chief executive Stuart Machin is upbeat. However, the company's turnaround story is far from complete.

Chairman Archie Norman wrote in this year's annual report: 'Of all the turnarounds I have been part of, this has been the slowest and most intractable; reflecting the deep-rooted nature of our problems and culture at the "old M&S", but we are now at last seeing the reshaping of M&S take hold with new energetic leadership, new strong trading results and the prospect of a return to dividends.'

> **"Of all the turnarounds I have been part of, this has been the slowest and most intractable"**

12-month forward price to earnings ratio

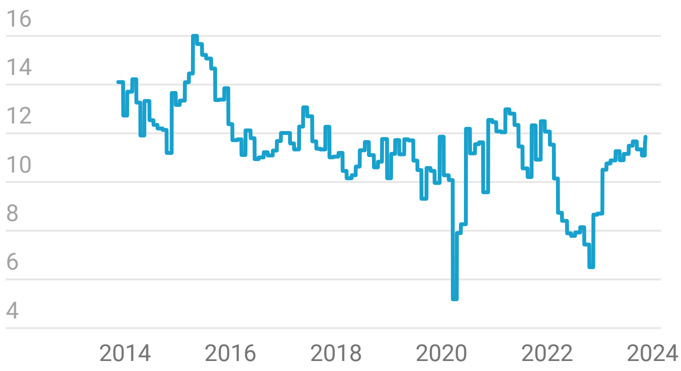


Chart: Shares magazine • Source: LSEG

WHERE IT NEEDS TO DO BETTER

The key thing to consider is that Marks & Spencer's turnaround story is still playing out. In the half-year results, Machin said: 'We're only just beginning. Lots done, lots to do, lots of opportunity.'

The Sparks card loyalty scheme looks muddled – to the average customer it looks like a glorified way to get a free packet of sweets when they shop or a random 10% off a certain product range such as pants and socks. Growth in the number of active Sparks card users has plateaued and the retailer must work harder to better personalise offers.

The online joint venture with **Ocado (OCDO)** could do better. It has 'reset' the strategy with a goal of improving profitability. Marks & Spencer's own online operations still need fine-tuning to drive growth and improve returns on the investment it has made in data, digital and technology capabilities.

It also needs to right-size its physical store estate. The plan is to reduce the number of shops selling food, clothes and homeware to 180 sites while also opening 100 new food stores by full-year 2028.

THE BIG RE-RATING

A year ago, shares in Marks & Spencer traded on the bargain valuation of 6.5 times next 12 months' earnings. The stock has subsequently re-rated and is now on 11.6-times, more in line with its historical average. That is on a par with **Tesco's (TSCO)** forward PE of 11.3 and only slightly less than the

12.3-times rating from **Sainsbury's (SBRY)**.

What is really interesting is how both value and growth-style fund managers own shares in Marks & Spencer. We would not be surprised if value names start to bank profits given how the stock rating has gone from 'cheap' to 'fair'. Value-style funds and trusts holding the stock include **Temple Bar Investment Trust (TMPL)**, **Law Debenture (LWDB)** and **Polar Capital UK Value Opportunities Fund (BD81XW8)**.

Growth funds are likely to hold the stock in the belief the turnaround story still has more to go and, importantly, strategic changes will position the company in a better place to keep growing.

Baillie Gifford is among the growth-style investors backing Marks & Spencer, holding the shares via the **Baillie Gifford Managed Fund (0601016)**. Its co-manager Iain McCombie recently said on a webinar: 'I think M&S is starting to get its mojo back. It feels like it is being more strategic and there is more optimisation of the assets for which it holds.

'The company has invested in price, which made it more competitive. A lot of people used to say M&S is really expensive and they've had a pleasant surprise when they've been coming in recently. That's why Waitrose has been struggling because M&S is basically kicking its butt in the food area. I think that's really exciting.'

McCombie also highlighted the opportunities with the retailer's physical stores, citing the example of a new shop in Liverpool. He said the company had a store in the centre of town which had been there for over 100 years in an area which was 'getting a bit tired and gritty'. It has now relocated to a different part of town to an old Debenhams store.

'It's about 20% smaller than the old M&S store, but because it's been repurposed with what the company thinks is what customers want, it's selling about 30% more since it opened, compared to the old one,' said McCombie. 'I think there are more stores where it can do the same.'

SHOULD YOU INVEST IN MARKS & SPENCER NOW?

Shares last said to buy Marks & Spencer on 1 June 2022 at 152p. Today the shares trade 62% higher

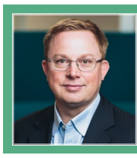
at 246p versus a 4% decline in the FTSE All-Share index over the same period.

There is much to like about the company even though its valuation is no longer in bargain basement territory. As a result, we believe the stock is still worth buying.

Analysts estimate adjusted pre-tax profit for the year to March 2024 will be £584 million, a level it has not reached since 2017, and go on to hit £631 million in 2025 and £667 million in 2026, according to LSEG data.

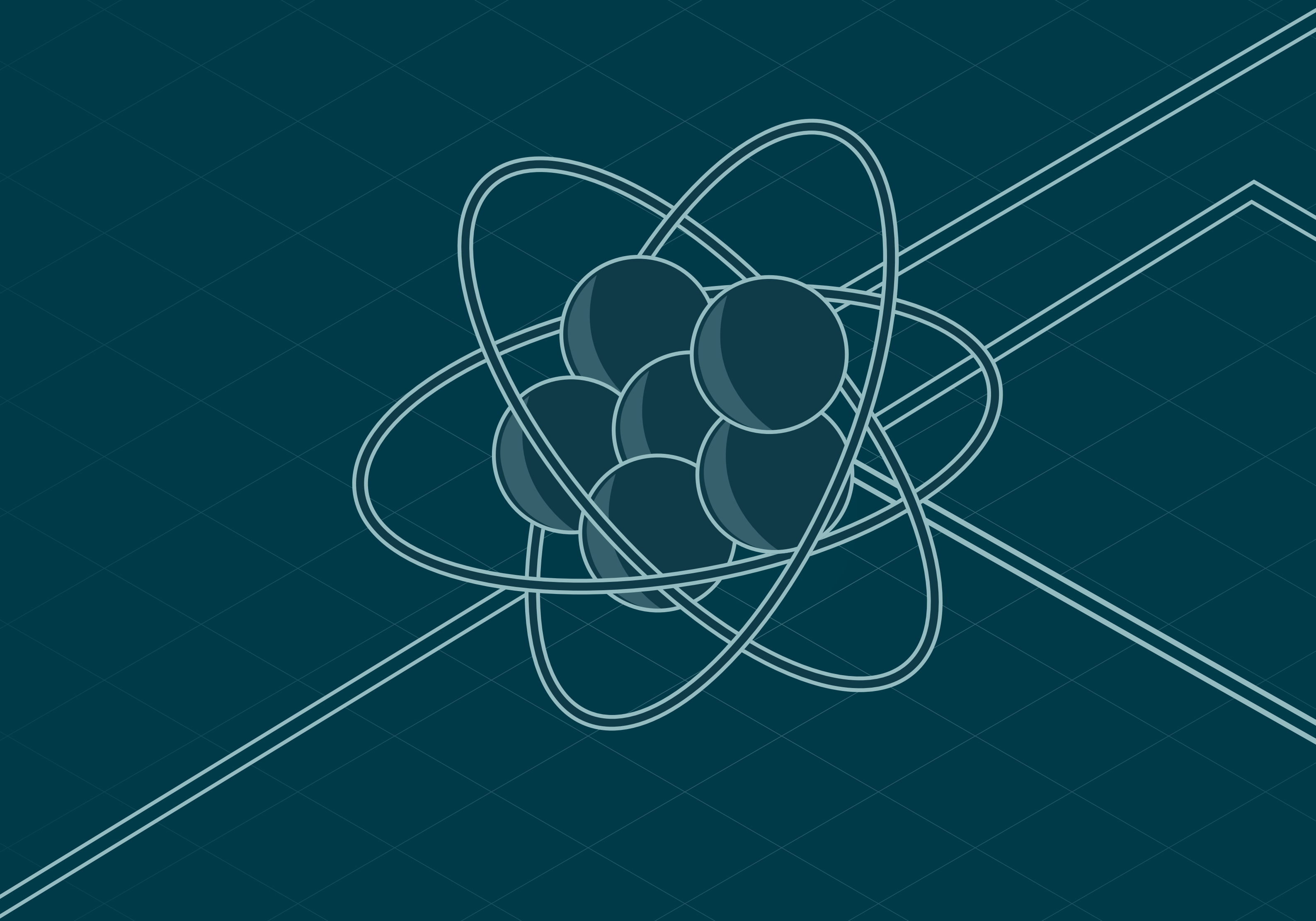
There is a chance analysts need to materially upgrade estimates to reflect the latest half-year results. Peel Hunt said even with major investment into service and technology during the second half, it expects the March 2024 pre-tax profit consensus will change to £640 million.

You just need to walk into a Marks & Spencer store to see there is a different atmosphere, a real buzz which reflects shoppers finding stuff they like and then buying it. The retailer has finally rediscovered the recipe for success and that bodes well for investors to enjoy further share price gains.



By **Daniel Coatsworth** Contributor

Add A New Element to Your Portfolio



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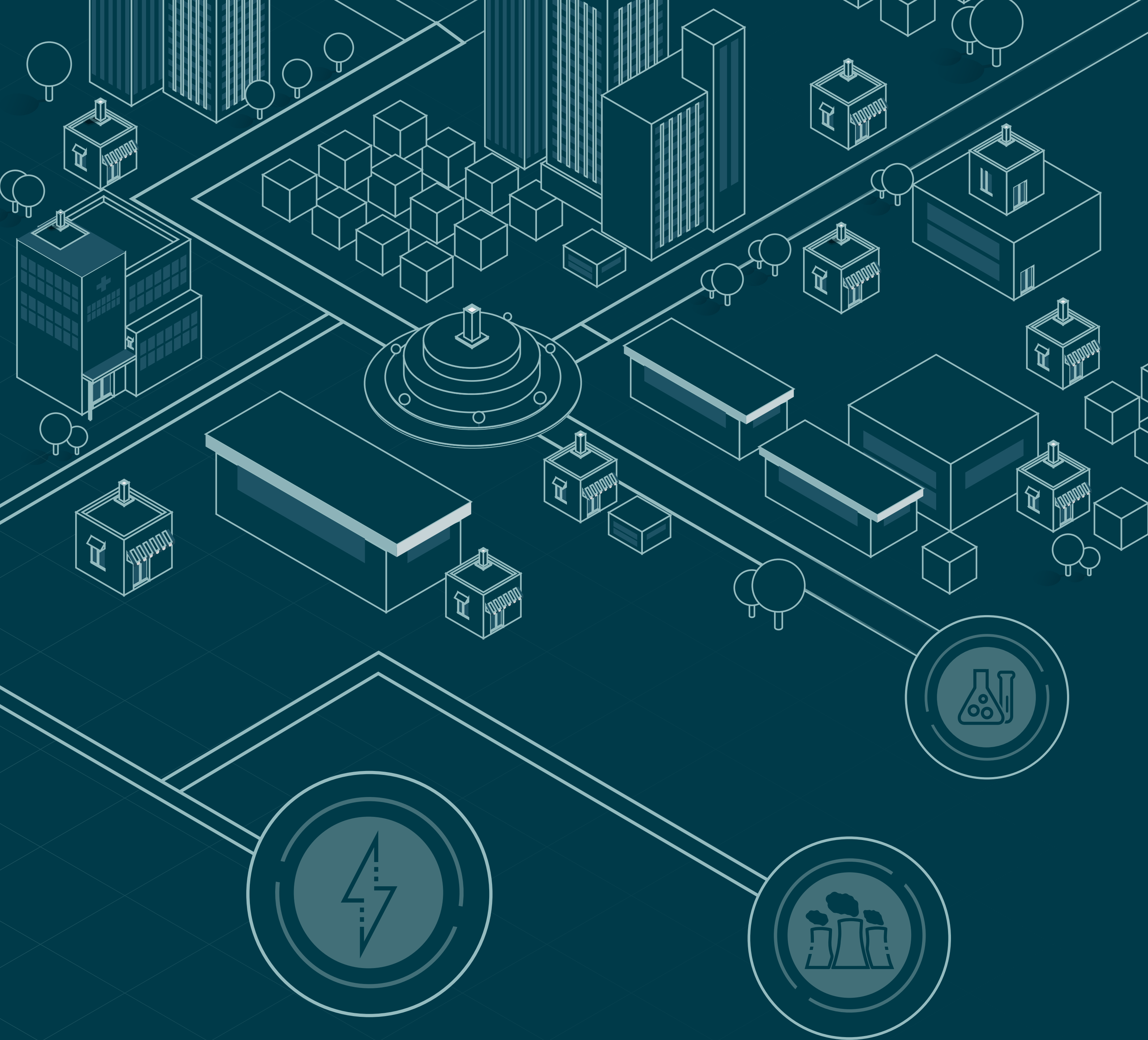

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4 TIPS FOR MANAGING A PORTFOLIO

By **Martin Gamble** Education Editor

An investment portfolio can involve a collection of stocks, bonds, cash, funds and/or investment trusts. Creating and managing a portfolio involves more than just picking good investments as this article explains.

There isn't a perfect portfolio which will suit everyone, so it is important to construct one which suits your financial goals and risk tolerance.

That means setting a suitable investment horizon (at least five years) and asset allocation plan. It comes down to deciding how much to put into riskier assets like shares and how much to allocate to less risky assets like bonds and cash.

TIP 1: MAKE A LONG-TERM ASSET ALLOCATION PLAN

Academic research has shown that asset allocation accounts for over 90% of a portfolio's return. Building a sensible asset allocation plan is therefore key to achieving long term financial goals.

In a nutshell, this involves deciding how much you should put into one area such as shares versus another and then regularly reviewing it to ensure each asset class hasn't moved beyond your target.

FOUR TIPS FOR MANAGING A PORTFOLIO:

1. Make a long-term asset allocation plan
2. Don't put all your eggs in the same basket
3. Keep costs as low as possible
4. Keep rebalancing to a minimum

For example, if you had 80% in shares and 20% in bonds and the equity market slumped, you might find the value of your investment in shares has fallen to 70% and bonds have jumped to 30%. At this point you might want to rebalance – something we'll discuss in more detail later in this article.

Over the years, one popular starting point for asset allocation has been to invest a proportion in shares equivalent to 100 minus your age. For example, if you are 30, this theory implies you should hold 30% of your assets in bonds and 70% in shares.

This would be a good starting point but it is not set in stone. Often, people younger than 60 might find they want a much higher weighting to equities than is suggested by the '100 minus age' rule. Even someone approaching or just starting retirement might want to have more exposure to equities, albeit focusing on high quality companies.

An alternative way to think about asset allocation is to use target ranges. Let's say 30-year Joanne decides her optimal shares target is 75%. Joanne knows share prices can move around a lot, so she creates bands around her ideal target to allow for price volatility. She decides to set a range for shares of 65% to 75%.

Only when her portfolio's share weighting moves above 75% or below 65% will Joanne consider making changes to her asset allocation.

While historically the starting point for portfolios might have been 60% shares and 40% bonds, investment experts are increasingly shifting to a broader portfolio model that includes assets that have low or no correlation to equity markets. This might include infrastructure or property used for medical centres or care homes.

Rebalancing a portfolio will be discussed later in the article, but it is worth mentioning there are age-based funds sometimes called 'target-date retirement funds' available. These funds automatically adjust asset allocation and therefore risk in a portfolio as an investor gets closer to retirement.

The downside to these types of products is that they are designed to be 'one size fits all' and everyone's needs and risk tolerance are different. Many funds switch investors into types of bonds which don't provide much inflation-protection, which means your money won't go as far in retirement if the cost of living keeps going up.

A lot of people also underestimate how long they will live – as the average life expectancy increases, so does the need to consider investment growth in retirement. Don't think that generating an income from your investments is the only thing that matters with a portfolio once you stop working.

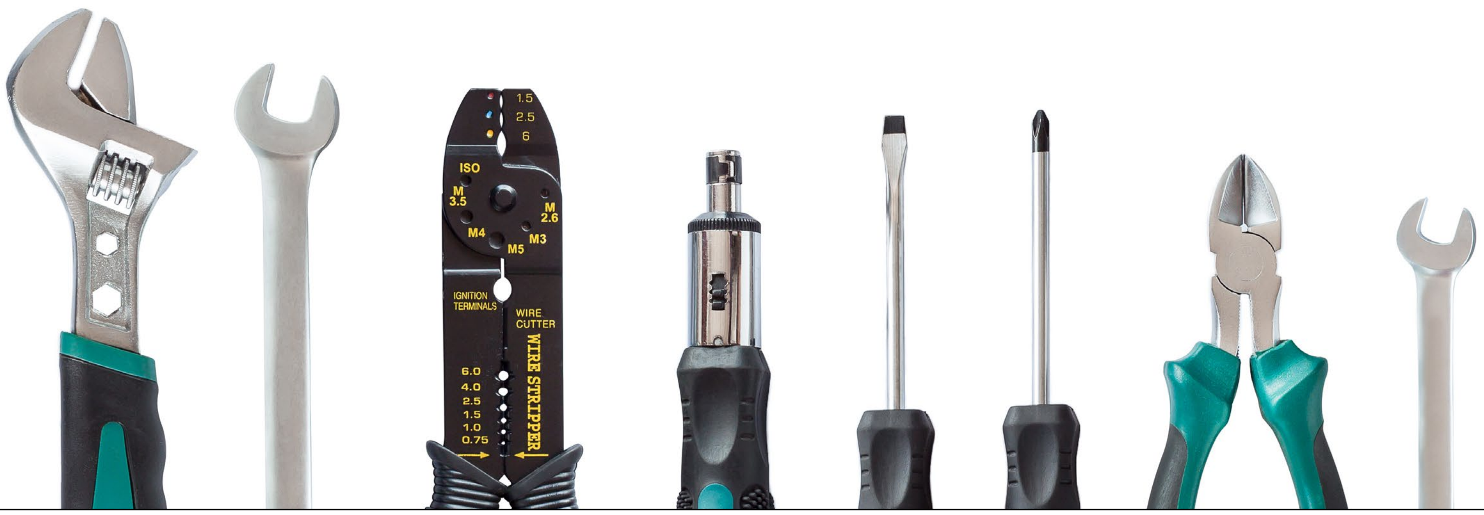
TIP 2: DON'T PUT ALL YOUR EGGS IN THE SAME BASKET

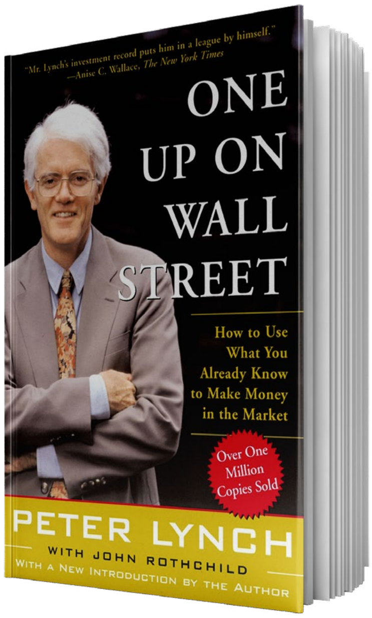
There aren't any free lunches in investing, but one which comes very close is diversification. This means spreading investments across different sectors, industries and geographies.

The more varied a portfolio's exposure to different economic drivers, the less individual stocks will move up and down together. In other words, some weave while others bob, reducing the portfolio's overall volatility.

Academics have shown that owning between 20 and 30 shares (spread across industries) is enough to achieve most of the benefits of diversification. But at the end of the day, it is a case of personal choice.

However, one thing to keep in mind is that the more stocks you own, the more work is needed to keep track of breaking news and wading through earnings reports.





Famed investor Peter Lynch, who managed money for Fidelity in the 1980s and wrote the popular book *One Up on Wall Street*, populated his portfolio with hundreds of names, but he also had the advantage of having access to thousands of in-house analysts.

When starting a portfolio, it can seem a like a daunting task to reach a good level of diversification. Think about all the research required and the amount of capital needed to invest in at least 20 companies.

There is no need to panic though as instant diversification can be achieved using ETFs (exchange-traded funds) and index trackers to get exposure to stocks and bonds. Investing in bond funds is probably the most effective way for retail investors to invest in bonds because of the specialist knowledge needed.

To achieve exposure to thousands of shares across developed and emerging markets investors could consider the **iShares Core MSCI World Acc ETF (SWDA)** which has $44 billion of assets and an ongoing charge of 0.2% a year.

In the bond space investors could consider the **Vanguard Global Aggregate Bond Acc GBP Hedged ETF (VAGS)** which provides access to many different bonds at an annual cost of 0.1%.

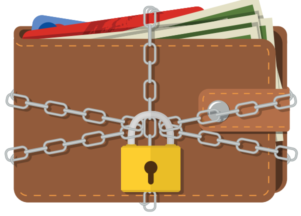
Once a broad spread is achieved it means adding single stocks to a portfolio becomes less risky. It is all about maintaining balance, so it is worth monitoring sector weightings to ensure a portfolio is not too heavily weighted to certain parts of the market.

A guide to sector constituents for indices like the FTSE 100 can be found on the London Stock Exchange website. Consumer staples have the biggest weighting in the FTSE 100 at around 19% with financials making up 18%.

If you're buying a fund, ETF or investment trust, the fact sheet will have a breakdown of the different sector exposures.

Stocks in the same sector tend to move together so there is no advantage in owning more than one or two names.

Once built and populated with the best ideas a portfolio effectively sets the bar for new investments. This may mean that the best use of new cash is to top up current holdings, ideally those which have underperformed as valuations could be more attractive than putting more money into ones that have done well.



TIP 3: KEEP COSTS AS LOW AS POSSIBLE

Because investing is a long-term venture even small annual deductions from capital can really add up over time, so keeping costs down can pay off.

Costs are varied and include transaction fees and platform charges. In some cases, you will also pay stamp duty and foreign exchange fees if buying overseas-listed shares, among other costs. You also need to consider the difference between the buy and sell price, which is called a 'spread'. The smaller the company, the larger the spread can be.

For example, a large company such as oil giant **BP (BP.)** has a lower dealing spread than smaller AIM stocks such as posh mixer company **Fevertree Drinks (FEVR:AIM)**. Effectively the dealing spread is a measure of the daily liquidity and tradability of a share.

At the time of writing, video games maker **Team17 (TM17:AIM)** has a dealing spread of 3.2% which means for every £1,000 pounds of investment an investor incurs spread costs of £32 (assuming a purchase and eventual sale).

Investors who want to trade smaller-cap companies may find it more practical to invest via funds. Not only does this reduce individual stock risk but fund managers may be able to negotiate tighter bid/offer spreads due to their size.

The same reasoning holds for other specialist areas of the market such as biotechnology, technology, and overseas markets. The downside is that specialist funds may charge higher annual fees.

It is also worth noting that scale is important in the investment world which means bigger funds can manage assets more efficiently and potentially offer lower fees.

More trading activity incurs more costs. Studies have shown that active fund managers who churn their portfolios less frequently outperform managers who make more changes.

One final point to consider is the impact of commissions on trading shares. Let's say a fund platform charges £9.95 per trade. If you bought £100 worth of shares, your transaction fee would equate to approximately 10% of the value of the shares which is high. If you were able to afford a larger investment, the proportion of the dealing cost would fall.

For those who only have a small amount of money, it is more economic to consider investing in funds as dealing costs are typically £1.50. The alternative is to find a share you like and set up a regular investment, buying the same stock each month as most platforms will offer a discounted dealing fee in the region of £1.50 per trade for this service.

TIP 4: KEEP REBALANCING TO A MINIMUM

In essence rebalancing is about managing risk rather than maximising return. Annual monitoring of the overall shape of a portfolio is probably enough for most investors to keep on top of things.

It might be tempting to tinker with a portfolio, but as discussed trading doesn't come free which means adding costs without much benefit.

Over time some stocks and sectors outperform and others underperform, which means relative weightings in a portfolio will change. This will also change the way a portfolio behaves.

If sector weights become out of kilter or some stocks have become a much bigger proportion of the overall portfolio (say close to 10%), it suggests a rebalancing may be necessary.

Investors with a regular savings plan which feeds cash into their portfolio can take advantage of natural rebalancing by using the new cash to top up underperforming parts of the portfolio, assuming the investment case is still intact. This has the advantage that it saves on paying commissions incurred when selling one share to buy another.

SHARES VS BONDS

SHARES VERSUS BONDS

Historical data over the last 100 years tells us that shares have delivered higher returns than bonds and cash. The downside is that share prices often move up and down a lot which means they can generate losses over shorter time horizons.

How each investor mentally handles the down periods should be a good guide to their appetite for taking risk.

While history can be a guide, it is not perfect and the recent patchy performance of bonds is a good reminder of the dangers of relying too much on the past.

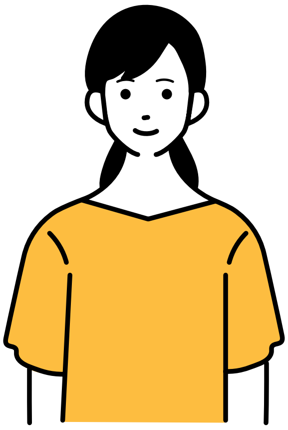
Government bonds have historically provided ballast to portfolios in times of market stress. But the post-pandemic years have not played out that way with bond prices set to inflict an unprecedented third consecutive year of losses on investors.

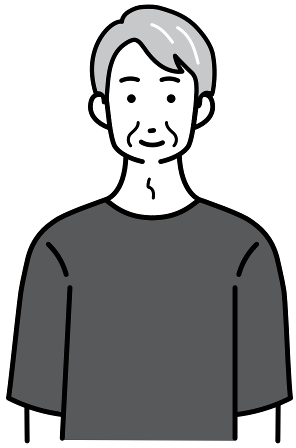
The culprit has been the rapid rise in official interest rates (bond prices moves in the opposite direction to yields) as central bankers fight sky-high inflation.

The good news is that yields (the bond coupon as a percentage of bond price) are at their highest since the late 1990s in the UK. This means investors can lock in yields of 4.5% from UK government bonds with a 10-year term.

Investing in government bonds from developed markets such as the UK is considered safe and usually means investors get the face value of the bonds back in full at maturity.

THREE HYPOTHETICAL PORTFOLIOS





JANET: 25 YEARS OLD

Janet's asset allocation

	Sub-total	Total
Equities		**90%**
Global Equity ETF (Acc)	90%	
Bonds		**9%**
Global Bond ETF (Acc)	9%	
Cash		**1%**

Acc = Accumulation version of fund

Table: Shares magazine

Janet is a 25-year-old software programmer and is only a few years into her investment journey. Her portfolio is kept simple as she only has a small amount to put away each month.

Rather than spreading tiny amounts across five to 10 investments, she decides to put the majority into a global equity tracker fund and the rest into a global bond fund. As she gets older and earns more money, Janet plans to add more funds to her portfolio.

For now, Janet has chosen exchange-traded funds, also known as ETFs, as they are low-cost and she can take advantage of her investment platform's discounted regular dealing service to get a low monthly transaction charge of £1.50 per item.

While some of her friends of the same age are happy to put 100% of their investments in equities, Janet is cautious by nature and prefers to have some bond exposure to spread her risks.

DAVID: 45 YEARS OLD

David's asset allocation

	Sub-total	Total
Equities		**65%**
Global Equity ETF (Acc)	35%	
Emerging Markets Fund (Acc)	10%	
Quality Dividends ETF (Acc)	10%	
Global Smaller Companies Fund	10%	
Bonds		**25%**
Global Bond ETF (Acc)	13%	
UK Gilts Fund (Acc)	12%	
Alternative Assets		**8%**
Commercial Property Fund	4%	
Global Infrastructure/Renewable Energy Fund	4%	
Cash		**2%**

Acc = Accumulation version of fund

Table: Shares magazine

David is a 45-year-old teacher and intends to retire at 66. He has 65% of his portfolio in equities, just over half of which is held in a global equity tracker fund.

Given he still has more than 20 years until he plans to retire, David wants to grow his portfolio as much as possible and is happy to take on some extra risk by having a dedicated emerging markets fund.

David has the same amount held in an ETF that tracks a basket of quality companies paying dividends, with the income automatically reinvested so he enjoys compounding benefits.

His portfolio also includes a few bond funds, a commercial property fund and a global infrastructure/renewable energy fund to provide diversification.

KAREN: 60 YEARS OLD

Karen is a 60-year-old architect and intends to retire in five years' time. She has started to dial down the risk in her portfolio ahead of time, albeit while keeping some pockets of higher-risk investments with the goal of having capital growth well into retirement.

Forty percent of her portfolio is spread equally across two equity funds: one features quality companies paying dividends and the other is a broad global growth and income fund. In both cases she currently holds the accumulation version of the fund so dividends are automatically reinvested. Karen intends to switch to the distributing version of each fund when she retires so dividends are paid out in cash. A similar strategy is in place for some of the other funds in her portfolio.

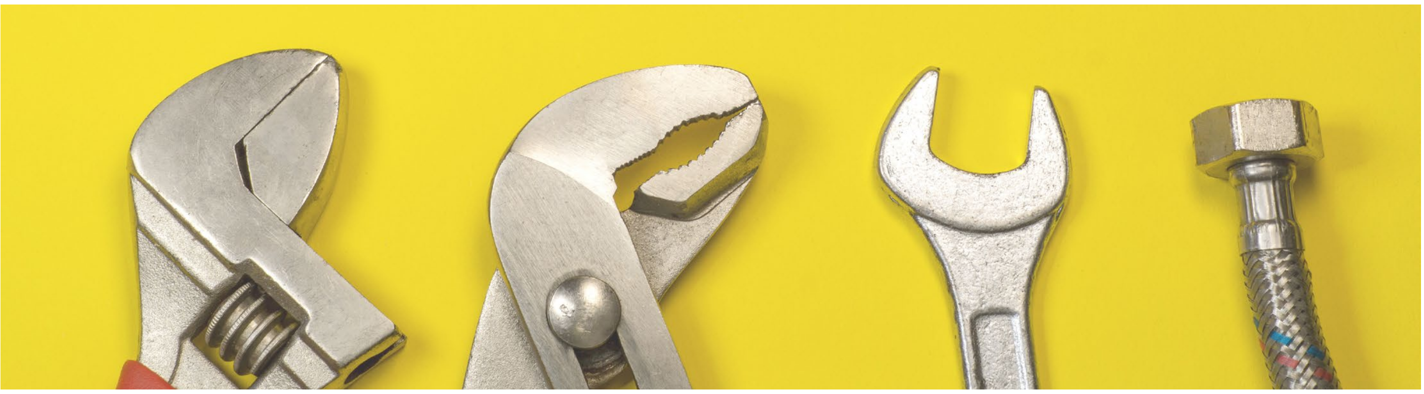
The bond component adds up to 25% of her portfolio but Karen intends to increase this weighting over the next few years to at least 35%. Elsewhere, she holds a few alternative assets on the basis they have low correlation with the markets.

Karen's asset allocation

	Sub-total	Total
Equities		**60%**
Quality Dividends ETF (Acc)	20%	
Global Growth & Income Fund (Acc)	20%	
Emerging Markets Quality Income ETF (Acc)	10%	
FTSE 100 ETF (Acc)	10%	
Bonds		**25%**
Global Bond ETF (Acc)	15%	
UK Gilts Fund (Acc)	10%	
Alternative Assets		**12%**
Global Infrastructure/Renewable Energy Fund	6%	
Healthcare Property Fund	6%	
Cash		**3%**

Acc = Accumulation version of fund

Table: Shares magazine



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International Personal Finance PLC

12 Per Cent. Notes due 12 December 2027 (the "**Notes**")

Dealer Manager

Singer Capital Markets Securities Limited

Authorised Offerors

- **AJ Bell**
- **Redmayne Bentley**
- **Hargreaves Lansdown**
- **LGB & Co.**
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Background to the Issuer

International Personal Finance plc ("**IPF**" and the "**Issuer**") is the ultimate parent company for a socially responsible international provider of retail financial services focusing on the financially underserved. IPF and its subsidiaries (together, the "**Group**") offers a suite of small sum, short-term unsecured consumer credit and insurance products to suit its customers' different credit profiles. The products range from instalment home credit cash loans, a credit card and digital instalment credit to revolving credit lines and a mobile wallet with online payment facilities. The Group's head office is in Leeds in the United Kingdom. The Group operates in Poland, the Czech Republic, Hungary, Romania, Mexico, Lithuania, Estonia, Latvia and Australia and has approximately 20,000 employees and customer representatives.

Further information on the Issuer and Group can be found at: www.ipfin.co.uk

Key features of the Notes

The International Personal Finance PLC 12% Notes due 12 December 2027 pay interest of 12% per annum on the face value of £100 per Note. Interest will be paid semi-annually in arrear on 12 December and 12 June in each year with the investment paid back in full on 12 December 2027 (unless the Notes are repaid early).

The Notes will be issued under the Issuer's Euro Medium Term Note Programme pursuant to the final terms relating to the Notes dated 2 November 2023 (the "**Final Terms**") and the Terms and Conditions of the Notes which also govern the Issuer's £50,000,000 12 per cent. notes due December 2027 (the "**Existing 2027 Notes**"), which are: (i) set out in the base prospectus prepared by the Issuer dated 25 August 2022 as supplemented, for the purposes of the UK Prospectus regulation, by way of a prospectus supplement dated 4 November 2022 (the "**2022 Base Prospectus**"); and (ii) incorporated by reference into base prospectus dated 24 August 2023 (the "**Base Prospectus**") (see "Important Information" below for more information about the Base Prospectus). The Notes will be consolidated and form a single series with the Existing 2027 Notes.

The Notes are expected to be rated BB- by Fitch Ratings Limited and Ba3 by Moody's Investor Services Limited.

The minimum initial investment is £2,000. Purchases of greater than £2,000 must be in whole multiples of £100. After the initial purchase of Notes during the period during which the Notes are offered for sale by IPF (this offer period ends on 12 noon on 23 November 2023 unless otherwise ended earlier by IPF (the "**Offer Period**")), the Notes can be bought and sold in whole multiples of £100, though the actual price you pay or receive per Note may be higher or lower than this depending on the market price of the Notes at the time.

The Notes are expected to be admitted to trading on the Order Book for Retail Bonds of the London Stock Exchange, following which investors will be able to check the current trading price on the London Stock Exchange website and buy and sell their Notes in the open market at any time during market hours (subject to normal market conditions).

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Please therefore read the Base Prospectus and Final Terms carefully before you invest. Before buying and selling any Notes you should ensure that you fully understand and accept the risks relating to an investment in the Notes, otherwise you should seek professional independent advice.

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The price of the Notes may fluctuate from time to time and may be less than the amount paid by an investor for the Notes. Such fluctuation could be driven by various factors including (but not limited to) market appetite, inflation, the time left until the maturity of the Notes, interest rates and the financial position of the Issuer or the Group. Decreases in market value of the Notes could mean that an investor who chooses to sell their Notes in the secondary market may thereby realise a loss.

The Notes are not protected by the Financial Services Compensation Scheme (the "**FSCS**") or any equivalent scheme in another jurisdiction. As a result, neither the FSCS nor anyone else will pay compensation to investors upon the failure of the Issuer or the Group as a whole.

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7 November 2023 (Date approved)

Which assets, sectors and stocks have done best in the three years since Pfizer Monday?

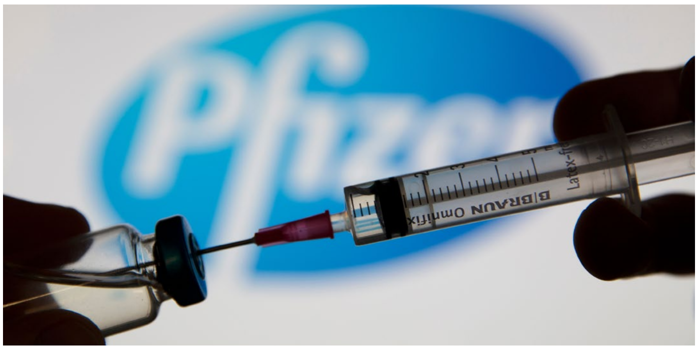
There has been a shift in the names doing well now versus 2020

On 9 November 2020, **Pfizer (PFE:NYSE)** and **BioNTech (BNTX:NASDAQ)** announced they had developed a vaccine for Covid-19 and share prices surged around the world, even if they had already bottomed in the spring after a short, sharp correction.

The two companies may have won the gratitude of many people when they made their announcement three years ago, but the world has now moved on from face masks and lockdowns, even if hybrid working is still with us and governments are encouraging their people to take top-up jabs.

Pfizer's latest quarterly results (31 Oct) were noticeable for a big drop in revenues and $5.6 billion in inventory write-downs, both related to lower demand for Covid vaccines, and BioNTech cut its guidance for 2023 when it reported its own third-quarter numbers (6 Nov). Both shares have given back all of the ground they gained in 2020 and 2021 (and more).

The economic outlook has changed, too. Massive fiscal stimulus programmes and Covid-19 relief measures, coupled with additional monetary support in the form of zero interest rates and

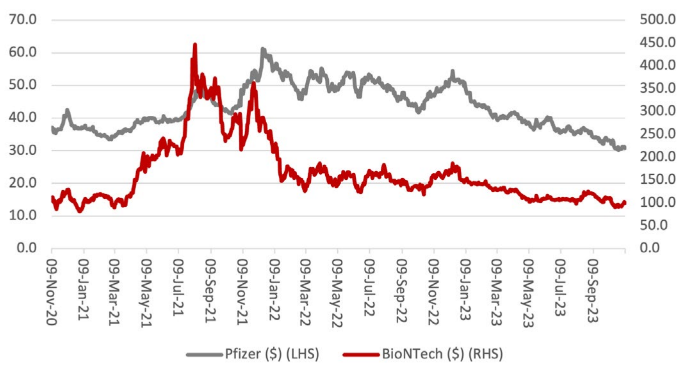


further quantitative easing resulted in too much money chasing too few assets and too few goods. The result was that inflation finally reared its head, after 40 years of lying dormant.

Asset bubbles formed and the price of goods and services soared, helped along the way by the war in Ukraine and the subsequent spike in oil and commodity prices and further damage to global supply chains.

Spooked central banks had to switch course,

Pfizer and BioNTech have lost all of their post-2020 share price gains



Source: AJ Bell, LSEG

Commodities up and bonds down since Pfizer Monday

	Capital return since 9 Nov 2020
Bitcoin	133%
Oil	88%
Commodities	35%
Global Equities	11%
Natural Gas	9%
Gold	6%
Global High Yield Bonds	-15%
Emerging Equities	-20%
Global Corp. Bonds	-24%
Global Govt. Bonds	-26%

Table: Shares magazine • Source: AJ Bell, LSEG, from 9 November 2020 to 9 November 2023

raise interest rates and, in many cases, launch quantitative tightening schemes, to cool economies, money supply and ultimately inflation.

NEW SENSATION

The world looks and feels very different from November 2020 and asset prices reflect this new reality.

Since 'Pfizer Monday' three years ago, commodities have done better than equities and equities have done better than bonds. Bitcoin has surged, buoyed by the search for assets with a finite or slow-growing supply, or at least something that central banks could not print or just conjure out of thin air. Meanwhile, the era of zero interest rate policies seems to be over.

The end of that 13-year experiment with rock-bottom interest rates and quantitative easing means that what worked from an investment point of view during that period – bonds, long-duration assets like technology, growth stocks – has found the going tougher since its end.

Conversely, investment options which had done poorly – commodities, cyclicals, value – have tried to stage a comeback. Companies which revelled in cheap debt or financial engineering have come unstuck and firms with sound balance sheets have thrived.

> **"Since 'Pfizer Monday' three years ago, commodities have done better than equities and equities have done better than bonds"**

SECTOR SWITCH

Note how the unloved, derided FTSE 100 – packed with miners, oils, banks, insurers and consumer staples – has outperformed the technology and biotech-laden NASDAQ Composite over the past three years.

By sector, within the FTSE 350, commodity plays such as oil and industrial metals have done well (given a helping hand by the exclusion of Russian supply from global markets), while banks have revelled in a period of rising interest rates and improved net interest margins.

An economic recovery post-lockdown has been welcomed by industrial transportation firms, consumer-facing companies and also aerospace firms, as global tourism picks up. Defence stocks have also gained a boost from conflicts in both Ukraine and the Middle East.

THE WAY AHEAD

Investors must now decide whether inflation and higher interest rates are with us to stay or not. Growth stocks do not seem entirely sure, given how well America's Magnificent Seven of **Alphabet**

FTSE 100 has outperformed the NASDAQ since Pfizer Monday

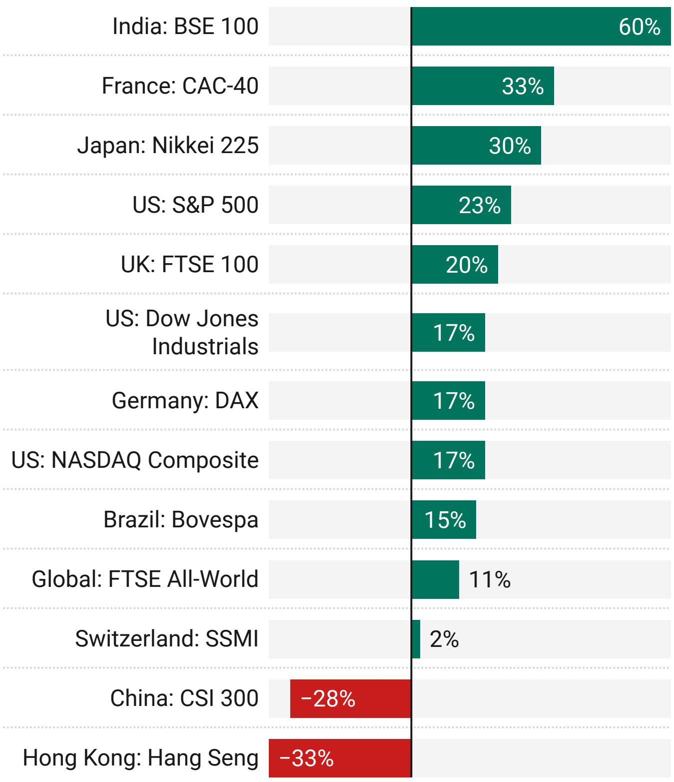


Chart: Shares magazine • Source: AJ Bell, LSEG, from 9 November 2020 to 9 November 2023

Growth investing refuses to cede to value-driven approaches

Source: AJ Bell, LSEG

Best and worst performing FTSE sector indices since Pfizer Monday

FTSE 350 change since 9 November 2020

Top 10		Bottom 10	
Aerospace & Defence	135%	Telecoms Equipment	-75%
Oil & Gas Producers	116%	Autos & Parts	-52%
Industrial Transportation	69%	Precious Metals & Mining	-51%
Industrial Metals & Mining	65%	Personal Goods	-37%
Healthcare	57%	Household Goods & Home Construction	-36%
Consumer Services	48%	Chemicals	-31%
Banks	47%	Medical Equipment & Services	-26%
Media	36%	Telecoms Services	-22%
Construction & Materials	26%	Real Estate Investment Trusts	-21%
Electricity	23%	Real Estate Investment & Services	-20%
FTSE 350	16%	FTSE 350	16%

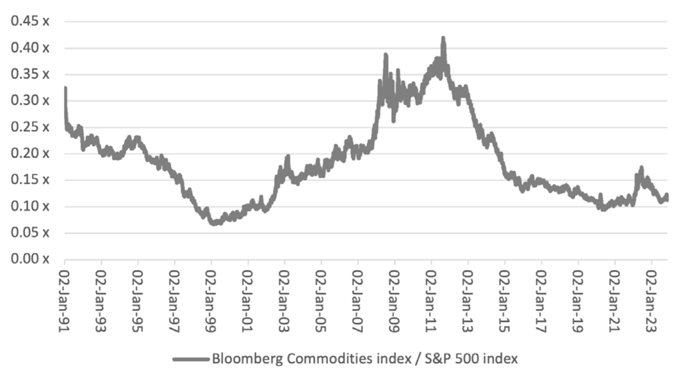
Table: Shares magazine • Source: AJ Bell, SharePad. Capital return from 9 November 2020 to 9 November 2023

(GOOG:NASDAQ), **Amazon (AMZN:NASDAQ)**, **Apple (AAPL:NASDAQ)**, **Meta Platforms (META:NASDAQ)**, **Microsoft (MSFT:NASDAQ)**, **Nvidia (NVDA:NASDAQ)** and **Tesla (TSLA:NASDAQ)** are doing in 2023 and how the S&P 500 Growth index is refusing to give way to the S&P 500 Value index, after the latter's attempt to assert itself in 2022.

The relative performance of these two benchmarks could yet provide a valuable clue as to how the macroeconomic, policy and market outlook will develop, and whether the world really is going to look very different in the 2020s from how it looked in the 2010s, from an investment point of view.

Another relationship which could give a strong hint as to whether we are in a brave new world that favours value, cyclicals and commodities over growth, technology and bonds is the one between the Bloomberg Commodity index and the FTSE All-World equity benchmark. Commodities outperformed in the 2000s, equities in the 2010s and raw materials look to have started a fightback in the 2020s.

Commodities are having a good go at outperforming equities



Source: AJ Bell, LSEG, from 9 November 2020 to 9 November 2023

By **Russ Mould**
Investment Director at AJ Bell

Expect 2024 to see more mergers of sub-scale investment trusts

Pressure is beginning to build from managers and shareholders alike

We would hesitate to call it a wave of consolidation – maybe a ripple would be more appropriate – but this year has seen a number of mergers among investment trusts.

There is a long tail of sub-scale funds and trusts in the UK all desperate to attract more investors, but with the average discount to net asset value hitting 18% at the end of October, according to research from Winterflood Securities, there is little hope of them raising funds or increasing their daily liquidity.

One solution could be to merge with a rival, but does consolidating two companies into one generate benefits for investors or just put money into the pockets of managers and advisers?

WHY ARE TRUSTS MERGING?

According to the latest research by the Association of Investment Companies, the current discount to net asset value across the trust sector is the widest it has been since December 2008 when, as the industry body puts it, 'the world was in the depths of the global financial crisis.'

Annabel Brodie-Smith, AIC communications director, says: 'History shows us that current discounts could represent a buying opportunity. When discounts were last this wide at the end of 2008, the average investment company returned 39% over the next year and 119% over the next five years.'

For sub-scale trusts, merging with or taking over another similar investment company means a bigger pot of assets and the chance to reduce operating costs, which in turn means they can offer lower fees to appeal more to retail investors, as well as in theory an increase in the liquidity of their shares thanks to a bigger investor base.

On 8 November, **Picton Property Income (PCTN)** confirmed it was in talks regarding a possible all-share merger with **UK Commercial Property REIT (UKCM)**. On the eve of the announcement, both

stocks traded on a 31% discount.

Some investment management firms are taking the initiative themselves, putting together similar trusts and funds within their own stable.

Since the start of the year, FTSE 250 asset management group **Abrdn (ABDN)** has been reshaping its business, selling off its European private equity division as well as reorganising its investment trust offering.

This has included merging Abrdn New Dawn with **Asia Dragon Trust (DGN)**, both of which traded on discounts of more than 10% before the transaction was proposed.

Abrdn Japan, which traded at a 15% discount to NAV, was recently folded into **Nippon Active Value (NAVF)**. There is also a proposal to merge **Smaller Companies Income Trust (ASCI)** with **Shires Income (SHRS)**.

EXTERNAL PRESSURE MOUNTING

The urge to merge is also being driven by activist investors, one of the largest being **City of London**

Investment Group (CLIG) which specialises in buying unloved closed-end funds whose shares trade at a big discount.

In May of this year, City of London's head of corporate governance Simon Westlake called on investment trust boards to narrow their discounts to 'encourage a thriving sector'.

Westlake suggested trusts offer their shareholders a return of 25% of their capital at net asset value if the manager has done a bad job. 'It is a fair deal for a manager who still has three-quarters of a portfolio to run, and for long-term shareholders, and will make shares more attractive and part of a discount control package.'

On the subject of consolidation, he added: 'We want to see more mergers, but we are disappointed that some funds that need to merge are leaving it too late and casting around when they are then too small for a prospective partner to justify the prospectus costs.'

Joe Winkley, head of investment trusts at Winterflood Securities, said the wide levels of discounts were creating a situation where 'a number of investment trusts need to look at themselves and whether they have a future'.

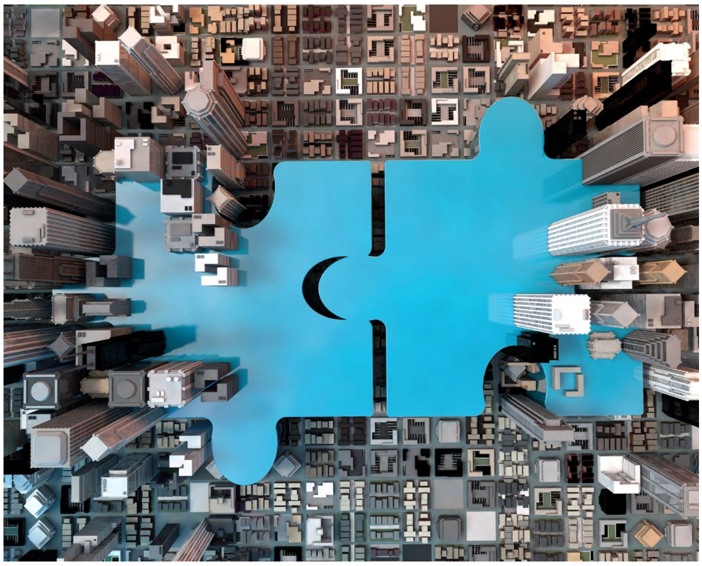
MIXED TRACK RECORD

One of the most high-profile fund mergers of the last few years was that of Scottish Investment Trust with **JPMorgan Global Growth & Income (JGGI)**.

Chart: Shares magazine • Source: LSEG

In June 2021, the board of Scottish Investment Trust undertook a review of fund management arrangements after the company switched tack to a radically contrarian investment approach in 2015 which led it to underperform the MSCI All Country World index in total return sterling terms over the following five years.

As a result of the review, the board decided the



'most compelling outcome' for Scottish Investment Trust shareholders was a combination with the JPMorgan trust to create a company with more than £1.2 billion of net assets.

Part of the justification for the combination was the fact the JPMorgan trust had returned an annual 14% in the five years to 30 September 2021, beating the MSCI All-Country World index in sterling by 1.7% per year on average.

The good news for shareholders is that in each of the last two years the combined trust has grown its net asset value by at least 4% more than the benchmark, and now has almost £2 billion of assets and a five-star rating from Morningstar.

Not all mergers are marriages made in heaven, however. Three years ago, Perpetual Income & Growth, a former Invesco trust, merged with the Abrdn-managed **Murray Income (MUT)** to form a £1 billion company with lower costs and greater liquidity.

So far, the result has been disappointing with a three-year share price return of 7.4% and a net asset value return of 8.3% against around 16% for both metrics for the trust's peer group and a current discount of 8.3%.

Nor is merging necessarily plain sailing, even when there is a strong commercial logic.

In August of this year, **GCP Asset Backed Income (GABI)** announced it had agreed heads of terms with **GCP Infrastructure (GCP)** as part of a plan by investment manager Gravis Capital to create 'a more sizeable infrastructure and real asset debt vehicle, with greater secondary market liquidity and the ability to return capital to shareholders

Seven sub-scale trusts with NAV and three-year performance numbers

Trust Name	Market Cap	Discount to NAV	3yr share price total return	AIC Benchmark
Marwyn Value Investors	£43m	52%	-11.6%	8.4%
Artemis Alpha Trust	£87m	17%	0.1%	13.5%
Henderson Opportunities Trust	£69m	17%	8.7%	13.5%
Global Opportunities Trust	£88m	18%	27.7%	11.5%
Invesco Select Trust Global Equity Income	£60m	14%	43.1%	36.6%
Rights & Issues	£103m	11%	5.6%	8.4%
JPMorgan Multi-Asset Growth & Income	£66m	3%	24.7%	11.5%

Table: Shares magazine • Source: AIC, data correct as of 6 Nov 2023

while offering the potential for a re-rating over time'.

Subsequent to the combination there were plans to merge with **RM Infrastructure (RMII)**, but barely a month after the initial announcement the deal fell apart due to opposition from shareholders in GCP Asset Backed Income, who opposed the manager's plans and militated for a continuation vote, which is now due to take place in May 2024.

WHICH TRUSTS ARE IN THE FRAME?

Many sub-scale trusts have survived a continuation vote in the last couple of years only for their shares to continue lagging their benchmark or their net asset value, therefore it's worth asking which companies could be part of the trend towards consolidation.

Using data from the AIC we have picked out seven trusts worth approximately £100 million or less, all of which are trading at a discount to net asset value and all of which have a three-year performance record (*see table*).

While a persistently large discount to net asset value might on the face of it warrant a discussion about merging, performance – absolute and relative to the sector – needs to be considered.

Henderson Diversified Income (HDIV) recently agreed to merge with **Henderson High Income (HHI)**. The next trust from the Janus Henderson stable to seek a new partnership might be **Henderson Opportunities (HOT)**, tiny at just £69 million and lagging its benchmark on a three-year basis.

Rights & Issues (RIII) is also on our table – earlier this year it appointed Jupiter as its new investment manager after its long-standing manager Simon Knott retired. Jupiter will certainly want to find a way of increasing assets under management and merging with a similar trust could be a logical move.

DISCLAIMER: Daniel Coatsworth who edited this article owns shares in JPMorgan Global Growth & Income

By **Ian Conway** Companies Editor


BING!
BONG!

Why industrial gas companies are much more interesting than you think

This is a fascinating industry with a long history of market-beating performance

Some investment themes simply capture the imagination. For example, AI's ability to transform how we all live and work, new solid-state batteries that could power electric vehicles into the 22nd Century, and biotech breakthroughs that could give us all longer, healthier lives.

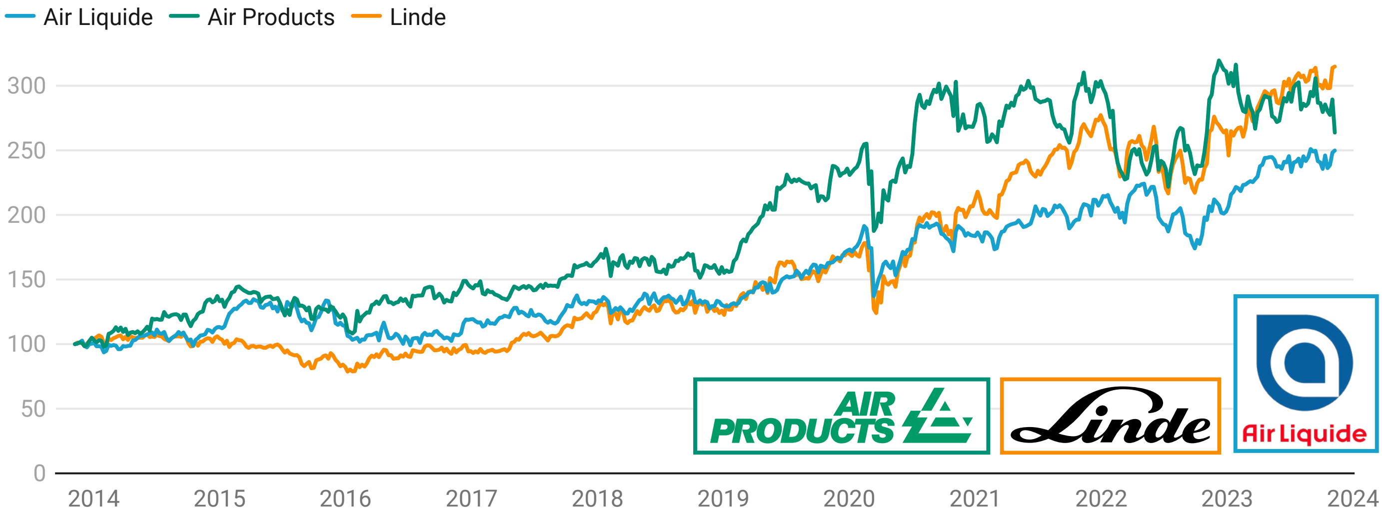
Industrial gas doesn't sound like one of them. On the face of it, this is a sector more likely to send investors to sleep than spark a mad rush for stocks and funds. But just like Warren Buffett built his fortune on dull but predictable industries like insurance (Geico), insulation (Johns Manville) and household batteries (Duracell), many ordinary investors might be missing a trick if they don't look at the industrial gas space.

The industry is dominated by three companies – France's **Air Liquide (AI:EPA)** – (or L'Air Liquide Societe Anonyme pour l'Etude et l'Exploitation des Procedes Georges Claude, to give its full name), **Air Products & Chemicals (APD:NYSE)** of the US, and **Linde (LIN:NASDAQ)**, which has roots in Germany but has a US stock listing. Linde owns the old BOC (British Oxygen Company), for those who remember it.

CONCENTRATION IS GOOD FOR PROFITS

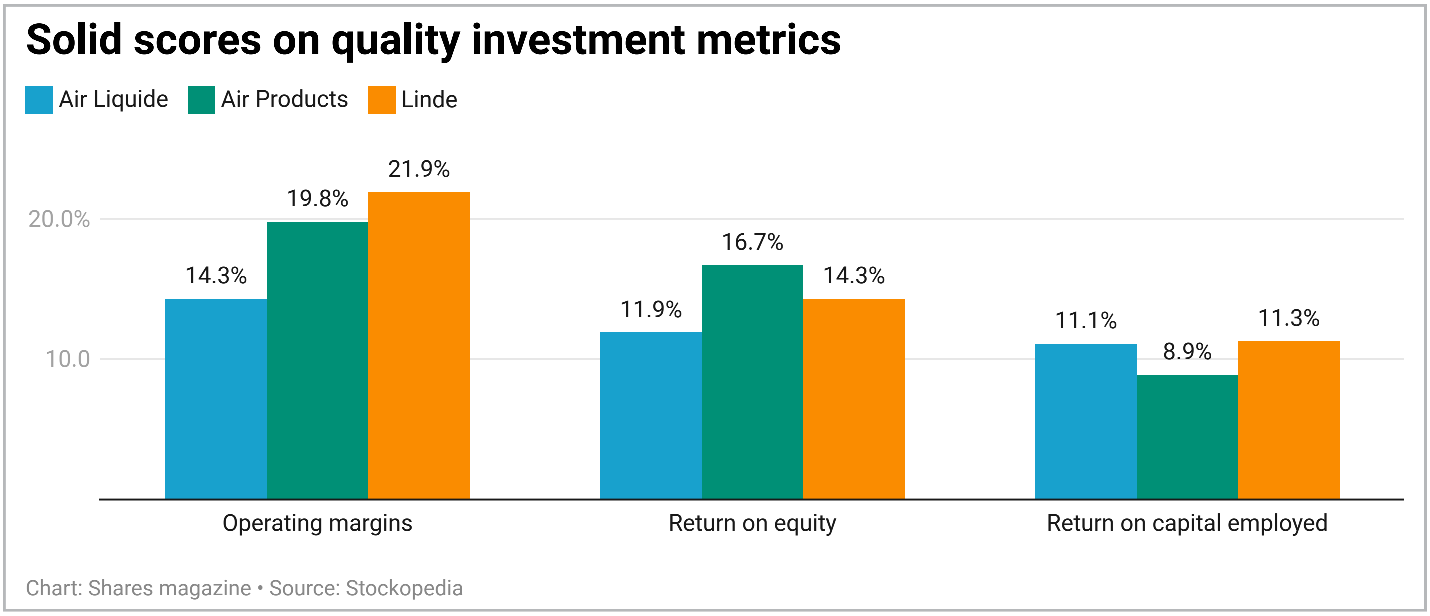
Together, these three companies generated global sales of nearly $75 billion in 2022 and capture roughly 70% of the industrial gas industry

Industrial gas stocks have delivered strong returns for investors over the past decade



Rebased to 100

Chart: Shares magazine • Source: LSEG



market share, according to company estimates. That's up from about 40% in the 1990s, thanks to consolidation and steady growth.

Such market concentration is good news for their profits because it gives them pricing power, namely the ability to hold or push up prices without dampening demand or risking clients shopping around for better deals. Even when demand was slow in 2008-09, all three companies had strong pricing discipline, which meant that margins and returns were much more resilient compared to other industries.

It's also an industry with high barriers to entry which make it hard for someone new to enter the sector. A newcomer in this industry would need to be able to invest enormous capital to get started and have the right technology to build big, dedicated air separation units that are generally set-up next door to large customer plants.

Even if a new entrant manages to get a foot in the door, it will still need to build relationships and prove capable of supplying gas consistently and reliably to customers who stand to lose millions if there was any supply disruption.

The capital intensity of the industry demands scale, but it also means participants can generate strong returns through economies of that scale. For example, after the first initial investment of building an air separation unit, every subsequent sale is high margin profit.

The higher the utilisation rate of the plant, the higher the profitability. Customers typically sign up to minimum utilisation rates, which guarantees at least a certain level of income, even in a recessionary environment.

That makes these companies defensive, with sales stemming from long-run contracts that offer good visibility. Sales also tend to grow with inflation, because industrial gas companies can pass on cost increases easily. It helps explain why operating margins are unusually high for industrial stocks, trending in the mid-teens to low-20 per cents, and they've been even higher in the past.

According to Statista data, the industrial gas market was worth $93.7 billion in 2021 and is expected to surpass $129.1 billion by 2029, implying about 5% growth a year.

RISE OF THE HYDROGEN ECONOMY

Hydrogen is predicted to play a leading role in the energy transition with the 'green oil of the 21st Century' increasingly promoted by governments worldwide.

'As an alternative to fossil fuels, it could be a valuable tool for tackling climate change in the future, helping many industries to reduce their CO2 emissions,' says asset manager Allianz.

Hydrogen offers several options for the transition to a renewable economy: as an energy carrier and storage medium for conversion back to electricity; as fuel for all means of transport and mobility; and as a substitute for fossil hydrocarbons in different industries, such as steel production, petrochemicals and refineries.

This is not tomorrow's world; government

Industrial gas company valuations are high but they are on a par with the S&P 500

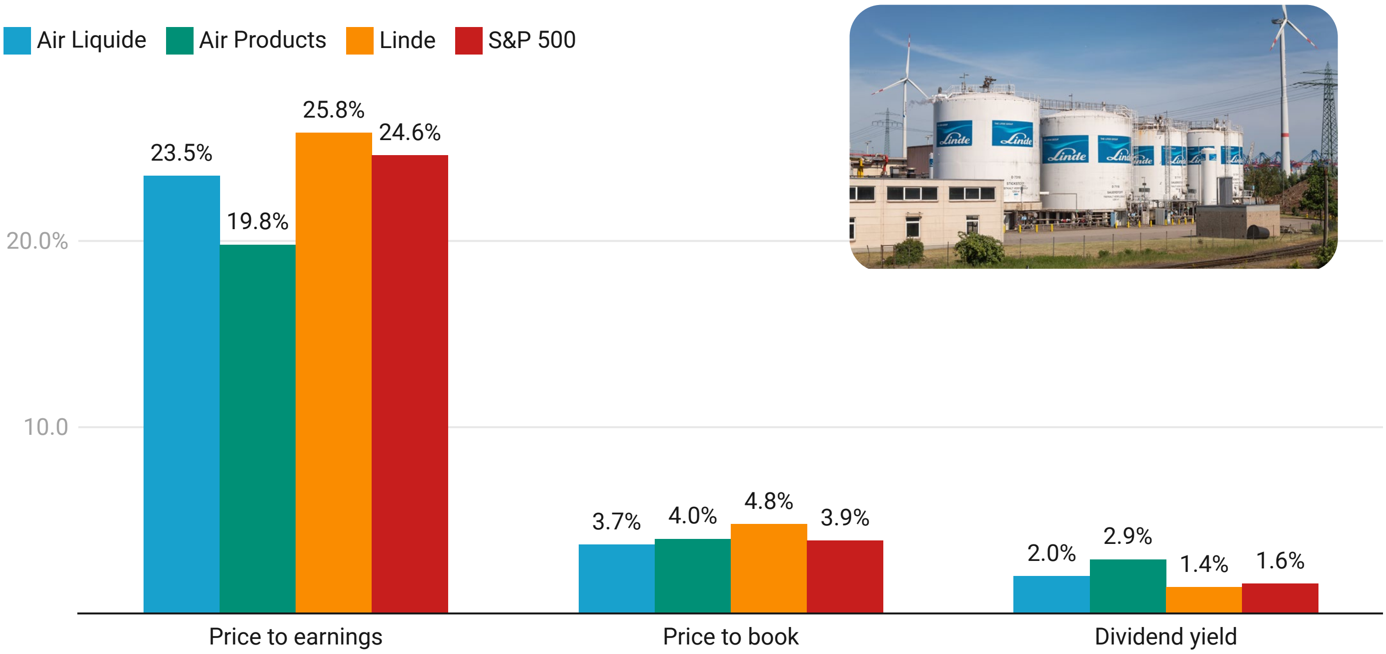


Chart: Shares magazine • Source: Stockopedia, GuruFocus, Ycharts

initiatives mean that project activity is picking up speed globally. According to an analysis by consulting firm McKinsey, there are more than 200 large-scale production projects in the pipeline and, if all projects come to fruition, total investments will exceed $300 billion in hydrogen spending through to 2030 – the equivalent of 1.4% of global energy funding.

Air Liquide, Air Products and Linde have been investing in hydrogen infrastructure for some time, but the Inflation Reduction Act 2022 in the US has significantly accelerated the growth potential for them.

Linde estimates it could make more than $20 billion of potential investments in the coming years, with some of the larger ones related to blue and green hydrogen and blue ammonia. Air Liquide aims to triple its hydrogen sales by 2035.

In its recent earnings statement (8 Nov), Air Products highlighted its blue hydrogen project in Europe, expected to be operational in 2026, which involves capturing emissions from existing hydrogen facilities and supplying low-carbon hydrogen to **Exxon Mobil (XOM:NYSE)** under a long-term offtake agreement.

It also flagged plans to invest over $30 billion over the next decade, and crucially, expects to maintain steady progression in return on capital employed, implying ambitions to catch up to its peers' low double-digit performance.

A slowing global economy will present challenges for these industrial gas giants, as could prolonged higher interest rates, making business investment more expensive for these companies and their customers. If recession comes to pass, we expect share prices to come under pressure on the elevated risk that some customers struggle, others go to the wall.

But taking the longer-run view, there's a lot to like about these three stocks. They have seen economic downturns many times before, and they have survived and prospered. Gas products are becoming more crucial not less, and there are new opportunities emerging. With proof of disciplined capital management, strong free cash flows and reliable (if modest) and growing dividends, shares in Air Liquide, Air Products and Linde offer investors, we believe, plenty of portfolio appeal.

By **Steven Frazer** News Editor

WATCH RECENT PRESENTATIONS

Cohort (CHRT)
Andy Thomis, CEO & Simon Walther, CFO

The parent company of six innovative, agile and responsive defence technology businesses providing a wide range of services and products for UK and international customers. It has headquarters in Reading, Berkshire and employs in total over 1,100 core staff there and at its other operating company sites across the UK, Germany, and Portugal. Cohort was admitted to London's Alternative Investment Market in March 2006.

Custodian Property Income REIT (CREI)
Richard Shepherd-Cross, Investment Manager

Custodian Property Income REIT offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund that seeks to provide an attractive level of income and the potential for capital growth.

Litigation Capital Management Limited (LIT)
Patrick Moloney, CEO

Established in 1998, they have assisted hundreds of companies and individuals in achieving significant recoveries from claims that, without them, would not have been pursued due to the associated costs and risks. LCM is one of the leading disputes funders globally, operating in a number of geographies.

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Should I defer taking money from my defined benefit pension?

One reader is weighing up their options as they don't need an income now and are still working

I am 59, earn £90,000 a year and have a small defined benefit pension that matures in five months. It will pay me £22,000 a year (or £114,000 in cash and £17,000 a year).

I'm still working so don't need the income now. If I defer, they will add 4% to the value of my pension income for each year. However, I'm considering taking the pension and using that as an alternative to salary. I could then pay more from my salary (via salary sacrifice) into my company pension, which stands at just £130,000.

Is this an option? Which would be the more sensible route? If I defer, although it increases by 4%, am I in effect saving the pension company money?
Mike

Tom Selby, AJ Bell Head of Retirement Policy, says:

For those not familiar with pensions jargon, a defined benefit pension promises to pay you an income from a set age (your 'Normal Retirement Age'). The value of your defined benefit pension is usually determined by your salary (either 'career average' or 'final') and the number of years you have been a member of the scheme.

For example, someone who is a member of a career average defined benefit scheme that offers a 1/60th accrual rate will build up an entitlement to 1/60th of their career average salary each year they are a member of the scheme.

If their career average salary was £60,000 and they were a member of the scheme for 20 years, they would be entitled to an income of £20,000 a year from their Normal Retirement Age (which will be set out in the scheme rules).

This income usually comes with inflation protection and a promise to pay your spouse an income (often 50% of the income you have been promised) if you die.

As you say, defined benefit members can also normally access a tax-free lump sum when they reach Normal Pension Age, although this often involves accepting a reduction in promised income in return.

While a pension income of £22,000 a year might not feel substantial, bear in mind it is inflation-protected and will be paid every year until you die. The fact you can receive it from age 60 makes it incredibly valuable.

To illustrate that point, if a healthy 60-year-old wanted to buy an annuity (a guaranteed income for life paid by an insurance company) worth around £22,000 a year and paying a 50% spouse's pension on death, they might need a pension pot worth well over £500,000*.

Some defined benefit schemes will, as you suggest, allow you to defer taking your defined benefit income and provide you with an uplift for each year you choose to defer. The rate of increase you receive will be determined by the scheme's actuary and should, in theory, be set at a neutral rate. Whether or not deferring will pay off in pounds and pence terms will depend on the deferral rate you are offered and how long you live for.

SALARY SACRIFICE

Turning to the question of what you should do, I can only offer general guidance rather than advice based on your personal situation. If you want someone to consider your overall financial circumstances and recommend a course of action, speak to a regulated financial adviser.

Salary sacrifice is a method of contributing to a defined contribution workplace pension whereby you accept a reduction in salary and your employer promises to pay an equivalent amount into your pension.

> **"You'll benefit from upfront pension tax relief (as it is salary sacrifice, you should get all your tax relief automatically)"**

A defined contribution pension is simply a pension where you have your own pot of money that is invested over the long-term.

Where defined benefit provides a guaranteed but inflexible income, a defined contribution pension can be accessed in any way you like from age 55 (rising to 57 in 2028), providing additional flexibility and extra responsibility for managing your pot. You will also usually be entitled to an employer contribution, at least up to the minimum level set by automatic enrolment (and often above this level).

The key benefit of salary sacrifice is that because your wages are lowered, it saves both you and your employer National Insurance contributions. Often (but not always), your employer will share their NI savings with you too. In addition, you'll benefit from upfront pension tax relief (as it is salary sacrifice, you should get all your tax relief automatically) and tax-free investment growth.

IMPORTANT POINT TO CONSIDER

One thing to bear in mind when considering salary sacrifice is the impact it might have if you are made redundant. As your salary will be reduced, it is possible your redundancy entitlement will be reduced too. Taking less salary could also affect things like maternity and paternity pay, mortgage applications and some state allowances.

A key thing to consider in making your decision is the value you place on flexibility versus certainty. By choosing to defer your defined benefit pension, you would effectively be opting for extra secure pension income in the future.

By contrast, if you take the income from age 60 and use the savings to contribute to a defined contribution pension pot via salary sacrifice, you will have a larger flexible pot that will need to be invested and managed over the course of your retirement.

*Figure based on quote obtained from the MoneyHelper annuity calculator on 9 November 2023.

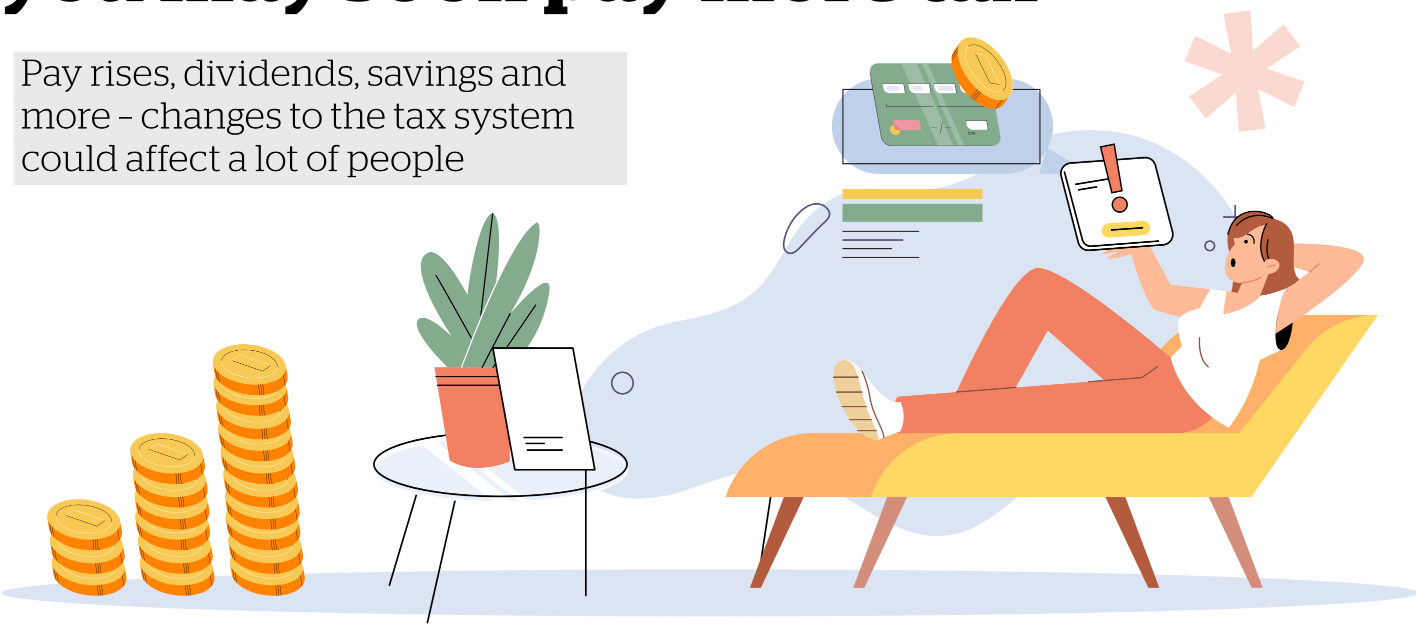
DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to **asktom@sharesmagazine.co.uk** with the words 'Retirement question' in the subject line. We'll do our best to respond in a future edition of *Shares*.

Please note, we only provide information and we do not provide financial advice. If you're unsure please consult a suitably qualified financial adviser. We cannot comment on individual investment portfolios.

Warning: these are the reasons why you may soon pay more tax

Pay rises, dividends, savings and more – changes to the tax system could affect a lot of people



The Government has made lots of changes to the tax system that mean millions more people will pay tax this year, through a variety of ways.

There are various estimates of how much extra taxpayers will pay, but Resolution Foundation puts it at £40 billion a year by 2027-28 – which is far more than the original £8 billion a year suggestion.

There are lots of reasons you might pay more tax, and more than one could apply to you. Let's look at them in detail.

YOU HAVE AN INCOME FROM DIVIDENDS

Lots of people will find they are hit with extra tax this year if they get an income from dividends, and even people with small amounts of income from dividends could be hit with tax from next April.

The Government's move to reduce the tax-free allowance for dividends from £2,000 last year, £1,000 this year and down to £500 from April 2024 will mean that an estimated 1.8 million extra people will be pushed into paying dividend tax by the end of the next tax year, when compared to 2022/23*.

If you have income from investments that are outside an ISA or pension and exceed the dividend allowance, you'll need to file a self-assessment tax return to declare that income and pay any tax due.

YOU HAVE GAINS ON PROPERTY OR INVESTMENTS YOU'VE SOLD

The Government has also cut the tax-free limit for capital gains tax, meaning that you can only generate £6,000 of gains tax-free and from April next year it will drop to £3,000 – anything over that amount you have to pay tax on.

HMRC estimates show that 260,000 individuals and trusts will pay capital gains tax for the first time over the next two years.

If you're sitting on big gains, you can stagger realising them over multiple tax years if it's investments you're selling. But that's not possible if you're selling a property, meaning that many second-home owners or landlords will be hit with a bigger tax bill. As with dividend tax, you'll need to file a self-assessment return with HMRC to declare any gains over your tax-free allowance.

YOU HAVE GENERATED A BETTER RETURN ON YOUR SAVINGS

The personal savings allowance has previously protected most people from paying tax on their savings, giving basic-rate taxpayers a £1,000 annual limit and higher-rate taxpayers a £500 limit.

But rising interest rates on savings mean that savers only need to have relatively modest amounts in their accounts before they hit this limit – assuming they're getting market-leading returns on their cash savings.

In the current tax year, it's estimated that 970,000 more people will pay tax on their savings, when compared to the previous tax year*.

Anyone who owes tax on their savings doesn't need to declare it. HMRC will collect the information from banks and building societies and adjust your tax code to recoup any money owed – and will send you a letter beforehand detailing what you owe.

YOU'VE HIT THE CHILD BENEFIT HIGH INCOME CHARGE

Parents can claim child benefit for their offspring, but once you hit a certain income level you start to lose it.

The high-income child benefit charge is applied where child benefit is claimed and one or both parents have an income over £50,000.

Child benefit is withdrawn at a rate of 1% for each £100 of earnings over £50,000, meaning eligibility for child benefit is lost entirely where one partner earns £60,000 or more.

Because of wage growth lots of people will have had a pay rise that's pushed them past this £50,000 earnings limit and now will owe money to the taxman. While not strictly a tax, this reduces your earnings.

Anyone in this camp needs to file a self-assessment tax return to declare that they have effectively been overpaid child benefit and repay the money.

YOU'VE BENEFITTED FROM A PAY RISE

As inflation has been higher, so too have wages. It means that lots of people have seen decent pay rises, particularly in comparison to previous years.

Frustratingly, wages have generally been lower than inflation – meaning your salary could be failing to keep up with rising prices.

But what's also annoying is that you'll be paying more tax on the money than you would have – because the Government has frozen tax bands.

Generally, the amount you can earn before you start paying tax or paying higher-rate tax rises with inflation each year – which would have been a

chunky increase in the past couple of years. But the Government has frozen the bands, meaning your pay rises could well push you into the next tax bracket.

You won't need to file a tax return, assuming you're paid via PAYE, but you'll just be handing over more to the taxman than you otherwise would.

YOU'RE A HIGHER EARNER WHO NOW HITS THE HIGHEST TAX BAND

The threshold for the highest rate of tax – 45% – was lowered in April, meaning that anyone with income of more £125,140 will pay this rate. Previously you could earn up to £150,000 before paying it. As a result, there are 55% more people expected to fall into the additional rate tax band in the current tax year.

It means that if you earn more than this amount or have had a payrise that pushes you over it, you'll pay more tax than you would have had the threshold remained the same.

* Based on figures released by HMRC under separate Freedom of Information requests made by AJ Bell.

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