STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

WE MAKE INVESTING EASIER

10 STOCKS FOR 2024

BIG INTERVIEW

CAN CURRYS CEO SPARK RETAILER INTO LIFE?


AJBell
FOOD HYGIENE RATING

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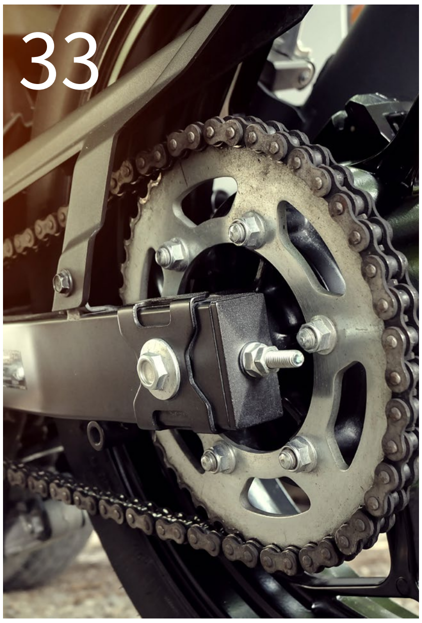

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Three important things in this week's magazine

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10 stocks for 2024

The Shares team reveals their very best investment ideas for the year ahead.

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Big interview with Currys boss

James Crux found out how CEO Alex Baldock aims to spark the electronics retailer into life.

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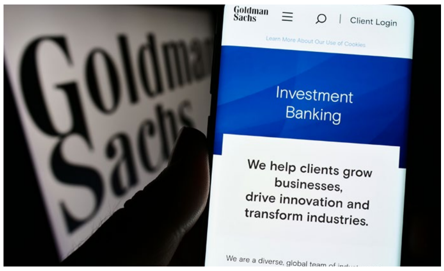
What fund managers changed their minds on in 2023

The stocks and sectors where the professionals shifted their thinking over the last 12 months.

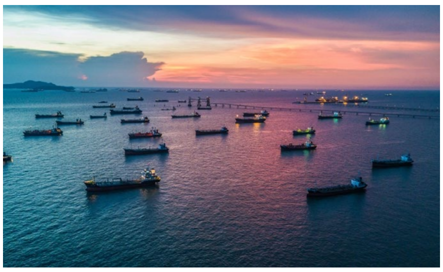
Visit our website for more articles

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:

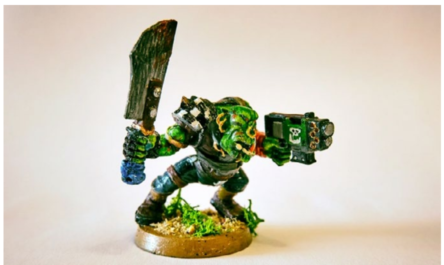


Why Goldman Sachs has upped its 2024 S&P 500 estimate



Red Sea attacks send energy prices and shipping rates sharply higher

Superdry shares droop to all-time low following pre-Christmas profit warning



Games Workshop finally gets Amazon licencing deal over the line

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AJBell

Markets higher despite mixed rates messaging and what to expect from retailers

Both US and UK central banks left interest rates on hold in their last meetings of 2023

As was widely anticipated the US Federal Reserve left interest rates unchanged on 13 December but accompanying commentary suggesting rates could be cut as much as 75 basis points in 2024 gave markets a big boost.

Federal Reserve chair Jerome Powell said that the US central bank is 'not likely' to hike further and that it is 'very focused on not making the mistake of keeping rates too high for too long'.

Investors celebrated the 'dovish twist' sending the Dow Jones Industrial Average to a record high – closing above 37,000 for the first time.

The S&P 500 rallied to cross the 4,700 for the first time since January 2022 and the Nasdaq closed up 1.4%.

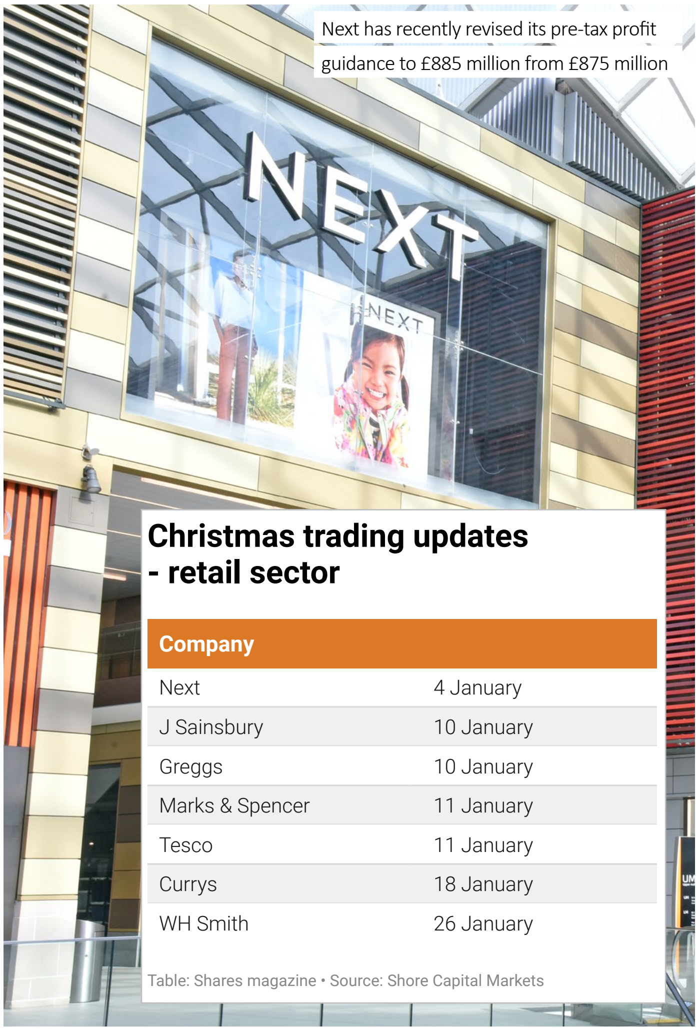
In the UK, the leading blue-chip index the FTSE 100 surged over 100 points on the Fed's news with the pound moving higher against the dollar by 0.24% at $1.2648.

However, stocks subsequently lost some momentum on profit taking and comments from New York Federal Reserve president John Williams and Powell's deputy who said interest rate cuts 'are not a topic of discussion at the moment'.

The Bank of England mirrored the Fed's decision by keeping rates on hold 14 December – at a 15-year high.

Andy Burgess, fixed income investment specialist at Insight Investment said: 'In stark contrast to the US Federal Reserve, the Bank of England continued to try and strike a hawkish tone.

'Although rates were left unchanged at 5.25%, three of the nine members of the Monetary Policy Committee (MPC) voted for a further rate hike and the Bank warned that it continued to see upside risk to inflation forecasts.'



Next has recently revised its pre-tax profit guidance to £885 million from £875 million

Christmas trading updates - retail sector

Company	
Next	4 January
J Sainsbury	10 January
Greggs	10 January
Marks & Spencer	11 January
Tesco	11 January
Currys	18 January
WH Smith	26 January

Table: Shares magazine • Source: Shore Capital Markets

As you read this the market will be absorbing inflation readings from the US and UK and investors will be eyeing US non-farm payrolls on 5 January 2024.

The first couple of weeks in January are busy for the UK retail sector (and shoppers alike) as they report on trading over the key festive period (see table). A recent warning from **Superdry (SDRY)** will prompt some nervousness.

The first to report in 2024 is sector bellwether **Next (NXT)**. The retail titan will be reporting its fourth quarter trading update on 4 January. In terms of fiscal year 2024, Next has upwardly revised its pre-tax profit guidance.

Originally set at £875 million, the new guidance now stands at £885 million, marking an increase of £10 million. This came off the back of better than expected third-quarter sales. [SG]

Discover the most unloved and most shorted UK stocks

Quite a few large, well-known firms are being left out in the cold this Christmas

As we approach the end of the year it is an opportune moment to shine a light on some of this year's least-loved stocks.

Rather than look at the stocks which have lost the most, we have collected together those trading at or near their lows for the year along with those with the fewest friends in the analyst community and those which the hedge fund community thinks are outright shorts.

If we first take the list of stocks trading at or close to their lows of the last 12 months, the first thing that strikes us is these aren't obscure small- or mid-cap companies, but very well-known FTSE 100 firms, most of which could be considered household names.

Stocks trading at or near their 52-week lows

Stock	Year-to-date performance	Distance to 52 week low
Indivior	−39.0%	0.0%
Vodafone	−25.0%	0.1%
Unilever	−10.0%	1.0%
BP	−5.0%	2.4%
Reckitt Benckiser	−7.0%	2.6%
British American Tobacco	−31.0%	3.5%
Haleon	−2.0%	3.6%
AstraZeneca	−12.0%	4.2%
Diageo	−22.0%	4.2%
Qinetiq	−14.0%	4.6%

Data correct as of 15 December 2023

Table: Shares magazine • Source: Stockopedia, Shares magazine

Bottom of the pile in our 'How close are they to their lows?' table is **Indivior (INDV)**, the maker of anti-opioid treatment Suboxone, which has been involved in almost constant litigation in the US over the last decade.

Not far behind Indivior is former parent and consumer health company **Reckitt Benckiser (RKT)**, which posted disappointing third-quarter organic sales and would appear to be in the eye of the storm when it comes to shoppers trading down to own-brand alternatives.

New chief executive Kris Licht insists the firm has 'a clear runway for sustainable growth with superior margins' and is 'well positioned to grow operating profit ahead of net revenue in the medium term', but the market response has been underwhelming.

Other consumer goods companies finding themselves friendless this festive season are **British American Tobacco (BATS)**, **Diageo (DGE)** and **Unilever (ULVR)**.

British American Tobacco recently guided down its organic sales growth guidance and is taking a £25 billion impairment charge for its US combustible brands as it reassesses their carrying value and 'useful economic lives'.

Drinks maker Diageo left investors with a sour taste due to a warning first-half earnings would miss forecasts, just weeks after the firm had said operating profit growth was accelerating.

Meanwhile, Unilever revealed some of its key brands had lost market share during the third quarter due to price rises although unlike Diageo it said demand in emerging markets remained robust.

Other FTSE 100 stocks trading near their lows are mobile network operator **Vodafone (VOD)**, oil behemoth **BP (BP.)** and health care companies **AstraZeneca (AZN)** and **Haleon (HLN)**.

In terms of analysts' least-favourite stocks, readers need to bear in mind that most brokers avoid 'sell' recommendations as they don't tend to sit too well with their paying corporate clients, so to spare their customers' blushes they use the term 'underweight', which is a nice way of saying 'on your own head be it'.

A quick scan of market screening stool Stockopedia reveals Holiday Inn-owner and FTSE 100 member **Intercontinental Hotels (IHG)** to be the least-loved stock, although that hasn't stopped its shares gaining 30% this year to a new all-time high on the back of a recovery in the travel sector.

Housing market portal **Rightmove (RMV)**, another FTSE 100 stock, is almost as friendless as Intercontinental Hotels following the news that smaller rival OnTheMarket is in takeover talks with US real estate giant **CoStar (CSGP:NYSE)**.

Instead of a positive read-across, analysts and investors have taken the view CoStar will throw bundles of cash at OnTheMarket to try to take market share and revenue away from the market leader.

The stock on the list which leaves us most bemused, however, is global health, safety and environmental specialist **Halma (HLMA)**, with over a quarter of analysts covering the firm rating it negatively.

Least loved stocks in terms of analysts' recommendations

Stock	Analysts	Sell/ underweight
Hammerson	13	7
Bunzl	17	6
Intercontinental Hotels Group	19	5
Antofagasta	15	5
Admiral	14	5
Rightmove	16	4
Halma	15	4
B&M European Value Retail	20	3
Wizz Air	17	3
Spirax-Sarco	15	3

Data correct as of 6 December 2023

Table: Shares magazine • Source: Stockopedia

Most shorted UK stocks

Stock	% of shares shorted	Short Sellers
Petrofac	7.0%	7
ASOS	6.8%	8
Kingfisher	6.8%	8
Metro Bank	6.1%	3
Boohoo	5.9%	6
Hargreaves Lansdown	5.0%	5
Abrdn	4.6%	6
ITM Power	3.8%	3
Victoria	3.6%	3
Primary Health Properties	3.5%	5

Data correct as of 6 December 2023

Table: Shares magazine • Source: GraniteShares

As we recently suggested, Halma is possibly one of the most underrated growth stocks in the FTSE 100 and the whole of the UK stock market so quite why the analysts have 'beef' with the company is beyond us.

Our final screen looks at the most-shorted stocks in terms of the amount of capital out on loan.

Short sellers pay a fee to borrow shares from existing shareholders and sell them with the aim of buying them back at a lower price at some point in the future.

According to analysis by *GraniteShares*, online fashion retailers **ASOS (ASC)** and **Boohoo (BOO:AIM)** are among the top 10 most-shorted UK stocks, alongside home improvement retailer **Kingfisher (KGF)** and flooring supplier **Victoria (VCP:AIM)**.

Financial stocks **Abrdn (ABDN)**, **Hargreaves Lansdown (HL.)** and **Metro Bank (MTRO)** are also in the frame, but the most-shorted stock in the market is international energy services company **Petrofac (PFC)**.

Disclaimer: The author owns shares in British American Tobacco.

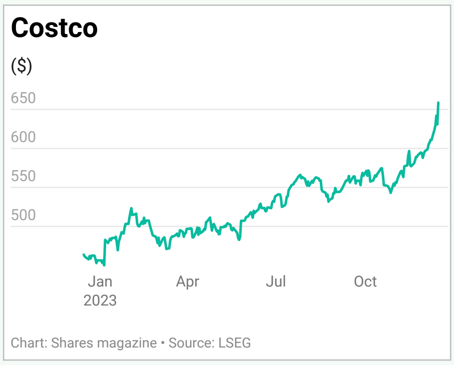
Costco climbs to all-time high as members clamour for cheap essentials

The global warehouse operator continues to gain market share as cost-of-living crisis rumbles on

Shares in **Costco (COST:NASDAQ)** hit new all-time highs at $659, taking year-to-date gains to 45.4%. This followed forecast-beating first-quarter results (14 December 2023) from the Washington-headquartered retail giant, as members continue to flock to its warehouses for cheaper groceries and other essentials.

The near-$300 billion cap warehouse membership retailer, which continues to take market share by holding down prices as customers around the globe grapple with stubborn inflation and higher interest rates, reported a 6.1% year-on-year increase in net sales to $56.72 billion and an 8.2% hike in membership fee revenue to $1.08 billion for the quarter ended 26 November. Earnings per share of $3.58 came in ahead of the $3.42 Wall Street scribes were calling for.

Costco, which revealed it sold over $100 million in gold bars in the first quarter and delivered better-than-expected Black Friday and Cyber Monday sales, also delivered an early Christmas present to investors by declaring a $15 per share special dividend, on top of the quarterly dividend already pledged. This special distribution will be dished out on 12 January 2024 to 'shareholders of record' at close of business on December 28 2023. [JC]



A big acquisition and a slowdown in its largest market have unnerved investors in Rentokil

The shares are down hard this year while its US peer heads for new highs

Normally, when a firm posts a 53% increase in quarterly revenues it doesn't result in its share price dropping by a third in a matter of days.

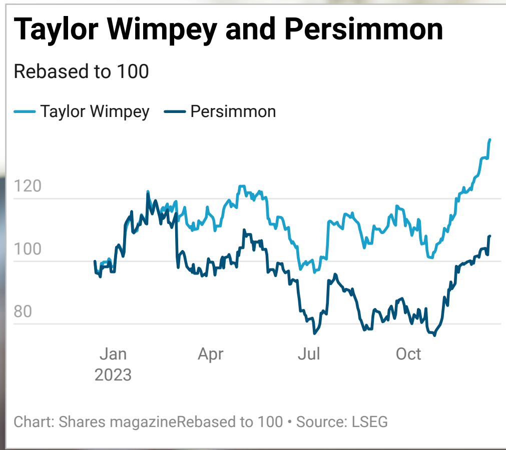
However, in the case of FTSE 100 pest control and hygiene business **Rentokil (RTO)**, the increase marked a slowdown from the first half growth rate of 70% and was accompanied by a warning over sales and margins in the group's key North American market.

Most of the jump in sales this year is due to the £4.5 billion acquisition of Terminix,

including debt, in October 2022. Without Terminix, underlying growth in the third quarter was barely more than 4% due to sluggish demand in the wholesale channel for chemicals used for pest control and gardening.

Big deals involve big risks, whereas Rentokil usually sticks to smaller, bolt-on acquisitions, and not only is the jury still out on whether it overpaid for Terminix, there are also questions over the timing.

Rentokil shares have recovered, somewhat, but they are still down 18% year-to-date while US rival **Rollins (ROL:NYSE)** is up 15% this year and looks on course to make new all-time highs. [IC]



What the market expects of Persimon and Taylor Wimpey

	Forecast 2023 EPS	Forecast 2024 EPS
Persimmon	80.3	83.6
Taylor Wimpey	9.4	9.2

Table: Shares magazine • Source: Stockopedia, LSEG

UK housebuilders Taylor Wimpey and Persimmon have moved up strongly

With 2023 numbers now baked in, the 2024 outlook will be key to sustainable share price gains

UK housebuilders **Persimmon (PSN)** and **Taylor Wimpey (TW.)** have been on quite a run of late with shares in both jumping around 40% over the last two months.

A shift in interest-rate expectations since the middle of November has had a positive effect on mortgage costs, while house prices have perked up after months of decline which has combined to give the downtrodden sector a much-needed boost.

Both firms are due to release trading statements in early January (Persimmon on Wednesday 10 and Taylor Wimpey on Thursday 11) and investors will be keen to see whether the new-build housing market has bottomed out yet.

Seemingly against the odds, Taylor Wimpey has maintained a positive outlook since the summer when it guided for full-year operating profit and house completions to be at the top end of market expectations at around £470 million and 10,500 respectively.

The company also flagged receding input cost inflation and abating pressure on selling prices which should be positive for margins.

Persimmon provided a similarly positive outlook in November after chief executive Dean Finch insisted the firm could deliver 9,500 homes this year against a previous forecast of 9,000.

However, analysts seem less convinced judging by consensus earnings forecasts which have been revised down by around 35% over the last year according to LSEG data. [MG]

UK UPDATES OVER THE NEXT 7 DAYS

TRADING ANNOUNCEMENTS

4 January: Next

10 January: Greggs, Persimmon, Sainsbury

11 January: Hilton Food Group, Marks & Spencer Group, Taylor Wimpey, Whitbread

How TSMC could set the New Year tone for tech

Chip maker hopeful that industry slump is over

Just a couple of months back investors had been in gloomy mood over chip maker **Taiwan Semiconductor Manufacturing Company (TSM:NYSE)**, or TSMC as it is usually known. Yet the stock has now rallied about 20% after third quarter results at the back end of October as financial markets price an end to the prolonged chip slump.

TSMC chief executive CC Wei has been saying he anticipated that the chip industry's malaise could be over 'very soon', even if uncertainties linger around China, both from the point of view of its own slowing economy and ongoing trade tensions between Beijing and Washington.

This means that fourth quarter earnings next month (11 January) could set the scene for not just the company but the wider technology sector. Only a handful of manufacturers can make the most advanced chips, so when chip designers go looking for fabrication capacity, TSMC is a company to talk to.

That means a spot at the negotiating table regarding anything AI (artificial intelligence), a theme we expect to continue to power growth opportunities through the New Year.

Analysts expect TSMC to post earnings of $1.36 per share, marking a near 25% decline year-on-year on a mid-single-digit fall in revenue to $19.1 billion. [SF]

What the market expects of TSMC

	EPS ($)	Revenue ($bn)
Quarter to December 2023	1.36	19.1

Table: Shares magazine • Source: Yahoo Finance

Taiwan Semiconductor Manufacturing Company

($)

Chart: Shares magazine • Source: LSEG

US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

2 January:
Smart Global

3 January:
Unifirst, Resources Electronics

4 January:
Walgreens Boots, Lamb Weston Holdings, RPM, Conagra Brands, Neogen, Simply Good Foods, WD-40, Lindsay, Helen of Troy Limited

5 January:
Constellation Brands, Sodexo, Greenbrier

8 January:
Concentrix, Commercial Metals, Tilray, AZZ

9 January:
Albertsons, Synnex, Jefferies Financial, Acuity Brands, PriceSmart, Accolade, Applied Digital, Kura Sushi

10 January:
KB Home

11 January:
Taiwan Semiconductor, Fast Retailing, Delta Air Lines

RETURN FROM OUR 2023 SHARE PICKS IS MORE THAN FOUR TIMES THAT OF THE UK MARKET

WE HAVE ENJOYED BROAD-BASED SUCCESS WITH EIGHT OF 10 SELECTIONS BOASTING DOUBLE-DIGIT GAINS

Shares' 2023 stock portfolio

Stock	Currency	Entry price	Latest price	Change
JD Sports*	p	114.60	161.45	40.9%
Apple**	$	132.37	178.85	35.1%
Shanta Gold***	p	9.02	11.85	31.4%
ASML	€	534.50	688.10	28.7%
Premier Foods	p	107.60	135.80	26.2%
Walt Disney****	$	85.78	108.10	26.0%
ME International	p	113.00	128.40	13.6%
Compass	p	1908.00	2155.00	12.9%
GSK	p	1418.00	1487.00	4.9%
Prudential	p	1049.00	907.20	−13.5%
TOTAL				20.6%
FTSE All-Share		4026.91	4209.86	4.5%

**Profit taken 19 January 2023. **Profit taken 10 August 2023. ***Profit taken 23 March 2023. ****Profit taken 16 February 2023*

Table: Shares magazine • Source: Shares, Google Finance. Entry prices taken 20 Dec 2022. Latest prices taken 14 December 2023

Our 2023 picks have smashed it – achieving an average return excluding dividends of 20.6%, more than four times the return of the FTSE All-Share and better even than the MSCI World which is up 17.9% this year.

This is all the more satisfying as the MSCI World index has been powered by the US 'Magnificent Seven' tech stocks, whereas the *Shares* portfolio benefited from the inclusion of just one of this group: **Apple (AAPL:NASDAQ)**.

This isn't just a case of a few highly successful picks bailing out the others, either. We were pretty consistent, with only one stock in negative territory over the 12-month period and eight of our selections delivering double-digit gains.

SHARES **20.6%** VS MARKET **4.5%**

AN ACTIVE APPROACH

Our best performer was trainers seller **JD Sports (JD.)**, which gained more than 40% just a matter of weeks after we unveiled it as a tip of the year.

We didn't leave our stocks unmonitored in 2023, and decided a profit that big was too good to leave on the table no matter how quickly it had been achieved. JD was one of four examples where we said to book gains early.

As it turned out three of these stocks, including JD, trade higher today than they did when we booked profit. However many of those additional gains, which are fairly modest for the most part, have come pretty late in the day.

Having exposure to Apple was certainly helpful, as despite a mixed revenue performance the company has benefited from growing expectations central banks will pivot from rate hikes to rate cuts. These helped propel the company to gains of more than 35% before we pulled the plug in August. If we had held on, our return would have been more like 50%.

We were right to step back from **Walt Disney (DIS:NYSE)** after a 26% advance though, as it became increasingly apparent it would take returning chief executive Bob Iger longer to sort out the entertainment giant. The company now faces a revived proxy battle with activist investor Nelson Peltz while struggling with a declining cable TV operation, issues with streaming and uncertainty over who will eventually succeed Iger.

Some concern about operational challenges and uncertainty about gold prices prompted us to bank a 30%-plus profit in **Shanta Gold (SHG:AIM)**, although as it turned out gold prices hit record highs later in the year and the stock is now up more like 35% on our initial entry point.

GIVING BACK GAINS

Photo booth and laundromat operator **ME International (MEGP)** has given back some of its early gains in the second half of the year, but it has still achieved a creditable 13.6% advance. Not helping was a year-end trading update for the 12 months to 31 October (30 November) flagging the company would miss its annual revenue targets.

Catering giant **Compass (CPG)** has proved to be just the Steady Eddie performer we hoped it would be as it continued to grow revenue and earnings with key performance indicators like retention rates and net new business outperforming historical averages.

It has been a bumpier year for chip equipment maker **ASML (ASML:AMS)**, but our contention its December 2022 share price didn't reflect its long-term track record of growing earnings has ultimately been proven right. The shares have continued to hold up despite recent news of the departure of chief executive Peter Wennink after more than a decade in the role.

A PREMIER SELECTION

The name behind Mr Kipling's cakes – **Premier Foods (PFD)** – was another strong performer. The company had already taken big steps to fix its balance sheet in recent years and lifted full-year guidance in November as it posted robust first-half results. Net debt fell nearly 20% in the six months to 30 September at £273.1 million and its brands continue to chime with hard-pressed consumers.

Pharmaceutical firm **GSK (GSK)** still trails its larger London-listed peer **AstraZeneca (AZN)** and just barely matched the performance of the wider UK market in 2023.

However, there was good news recently (1 November) as the company posted strong third-quarter numbers and lifted its expected full-year sales growth to 12% to 13% from 8% to 10% , as well as raising its adjusted EPS growth target to 17% to 20% from 14% to 17%.

Sticking out like a sore thumb is **Prudential (PRU)**, which is down more than 10% this year. The Asia-focused insurer has been badly served by a faltering recovery for the Chinese economy as it emerged from zero-Covid restrictions.

New chief executive Anil Wadhwani will hope to breathe new life into the business and its share price. He was recently quoted as saying Africa will be the next big growth opportunity for the group.

10 STOCKS FOR 2024

OUR BEST IDEAS FOR THE YEAR AHEAD

OUR PICKS IN A NUTSHELL

BUY

BUY

ADOBE

Steven says: Adobe is one of the best ways to play AI

B&M

James says: B&M's growth ambitions and value focus make it a compelling story

CONDUIT HOLDINGS

Ian says: Take advantage of this 'generational opportunity' to buy Conduit

HOLLYWOOD BOWL

James says: Hollywood Bowl is a strikingly resilient operator trading at the wrong price

HUNTING

Tom says: Hunting is attractively priced and evidence of transformation is a clear catalyst

JUST GROUP

Tom says: Just Group is so cheap and has big growth drivers behind it

MONGODB

Steve says: MongoDB is one of the hottest software plays on AI

PURETECH HEALTH

Martin says: Buy Puretech Health for lower risk access to an exciting drug portfolio

RELX

Sabuhi says: The market has not spotted RELX for the AI winner it is

SMITH & NEPHEW

Martin says: Buy Smith & Nephew for continued recovery and rerating potential

ADOBE

It may look like odd timing to back **Adobe (ADBE:NASDAQ)** just after lukewarm guidance, but we think this is a great opportunity.

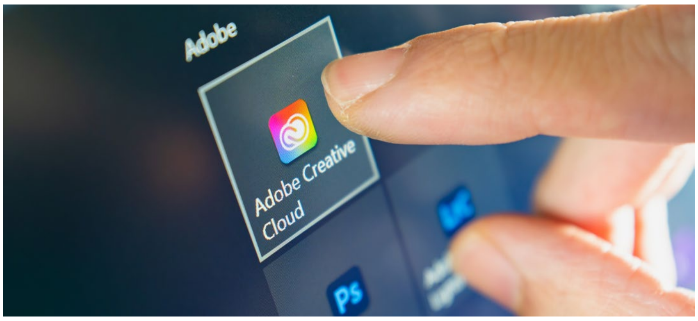
The creative digital software firm called for fiscal 2024 earnings per share of $17.60 to $18 on $21.3 billion to $21.5 billion revenue, a little light compared with the consensus of $18 and $21.7 billion revenue respectively.

The shares plunged 7%, which seemed harsh to us for a bit of near-term uncertainty, especially given the proven quality of this business. We still strongly believe that Adobe stands out for several clear reasons: its consistently strong financial performance; a powerful balance sheet; exposure to structurally growing markets; and as a great play on AI, or artificial intelligence.

Adobe's 2024 price to earnings multiple is 32.5, falling below 28 and 25 over the following couple of years as earnings per share close on $24 forecasts. This still might not look especially cheap to many investors, but it is historically low for a business consistently growing way above market averages and delivering 34% operating margins and return on equity. Return on capital employed is 30.9%.

At the end of 2023, Adobe could be sitting on more than $3 billion of net cash. This business is a giant in the creative software space through tools like PDFs, Photoshop, Illustrator, InDesign and Premiere Pro. It is reckoned to own a rough 50% market share. AI is now becoming Adobe's growth secret sauce, and it has already integrated Firefly into the toolkit, designed to help creatives be more creative.

Ben Rogoff, manager of the **Polar Capital Global Technology (B42W4J8)** fund and **Polar Capital Technology Trust (PCT)** has recently admitted bolstering his Adobe positions because its scope to monetise AI is one of the best around.



Adobe's $20 billion acquisition of rival Figma has been canned after facing regulatory hell. While something of a blow it at least provides a measure of clarity and we believe the company retains its long-run appeal for investors regardless.

To date, 2023 has seen the stock rally more than 70%, tilting the volatility needle, which may not suit every investor. That said, with interest rates looking increasingly like falling in 2024, the market backcloth should be healthier for growth stocks next year.

Analyst consensus has a $700 stock valuation for the next year, and we wouldn't be at all surprised to see the stock top that in 2024. [SF]

Disclaimer: The author of the article (Steven Frazer) owns a personal stake in Polar Capital Technology Trust.

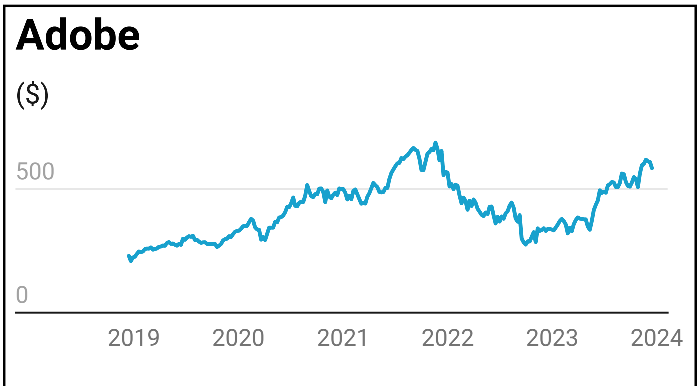


Chart: Shares magazine • Source: LSEG

Adobe (ADBE:NASDAQ)

Share price	$584.68
Market cap	$266.2 billion
Forecast EPS 2024	$18
PE 2024	32.5
Forecast dividend 2024	N/A
Dividend yield 2024	N/A
Financial year end	30-Nov

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

B&M

Investors seeking a resilient, dividend-paying growth company at the forefront of the consumer trend towards trading down should buy **B&M European Value Retail (BME)**. The variety goods value retailer is benefiting from the cost-of-living crisis.

2024 should see the cash-generative discounter continue to capture market share in the UK, where inflation and rising rates have cut consumer purchasing power, as well as in France where sales growth is running at double digits.

Progressive ordinary dividends and the potential for further special payouts mean B&M is a terrific total return stock to own in an uncertain year ahead.

The budget groceries-to-general merchandise seller retails a range of goods at cheap prices spanning branded groceries and drinks to toiletries, homewares, garden furniture and even toys. Through its core B&M UK fascia, the £6.1 billion cap is gaining market share from a 'cookie-cutter' store roll-out and a disruptive, relentless focus on low prices.

The FTSE 100-listed company also owns the expanding convenience store chain Heron Foods and has an exciting overseas growth opportunity via B&M France, where it is strengthening the fast moving consumer goods offer whilst raising store standards.

As Liberum highlights, B&M is 'a rare case of a retailer that has held onto its Covid gains' and this has led to 'a material uplift in sales, and structurally higher margins, profitability and cash generation'. In addition, the retailer's market shares in the UK and France remain small, meaning there could be many more years of growth ahead.

B&M European Value Retail

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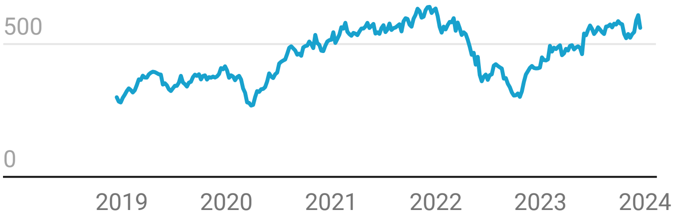

Chart: Shares magazine • Source: LSEG

Following strong first half results in November, B&M upped its year-to-March 2024 adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) guidance to the £620 million to £630 million range, comfortably ahead of the £573 million generated in full year 2023, and B&M highlighted improving sales momentum ahead of Christmas, suggesting scope for good news when the company delivers its third quarter update (9 January).

B&M, which has agreed to acquire as many as 51 ex-Wilko stores from the administrator, also raised its long-term UK B&M store estate target to 'not less than' 1,200 outlets, a significant upgrade on previous guidance of 950 and a strong show of confidence from CEO Alex Russo.

Along with continued like-for-like growth, Russo reckons his charge has 'the runway to at least double our size in the UK in the medium term, while France also offers sizeable long-term potential'. We think investors will profit by backing these growth ambitions. [JC]

B&M European Value Retail (BME)

Share price	561.8p
Market cap	£5.63 billion
Forecast EPS 2025	40.4p
PE 2025	13.9
Forecast dividend 2025	24.4p
Dividend yield 2025	4.4%
Financial year end	31-Mar

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

CONDUIT HOLDINGS

Conduit Holdings (CRE) is the parent company of Conduit Re, a Bermuda-based pure-play reinsurance company which launched in December 2020 when the holding company listed on the London Stock Exchange.

The firm writes reinsurance policies across property, casualty and specialty lines, always making sure its risk is neutral across different sectors and geographies based on an in-depth view of the underlying assets and the specific risk factors.

Having been established in 2020, the firm has no baggage in terms of 'legacy' policies which might come back to bite it, which is a big differentiating factor for investors who are used to buying financial stocks and insurers in particular.

It is this lack of 'skeletons in the cupboard', together with the expertise of the management team and the current 'hard market' in insurance which makes Conduit Re such an exciting prospect.

According to chief executive Trevor Carvey, it typically takes 18 months for written premiums to flow through to the bottom line, which means the firm is now seeing the benefit of business it took on mid-way through 2022.

To give some impression of how fast the company is growing, it wrote more than $900 million worth of premiums in the first nine months of this year, an increase of 56% on this time last year, and since inception it has written $2 billion with what is called 'unearned premium' of $676 million which is yet to flow through to profits.

This means in less than three years the firm has almost hit its five-year target already, Carvey tells *Shares*.

Conduit Holdings

Chart: Shares magazine • Source: LSEG

This is no flash in the pan, however, as the insurance market is going through one of its once-in-a-generation phases of sharply rising rates.

'Trevor and his team have created a scalable business model and a platform that is delivering strong organic sustainable growth and we have an ample capital base that will enable us to continue to do so,' says chairman Neil Eckert.

'We expect the duration of the current hard cycle to be extended due to structural changes in the industry, continued inflationary pressures and adverse development on the industry's legacy casualty business.'

Analysts at Berenberg agree, calling this a 'generational opportunity' across the London reinsurance market, with significant 'upside risks' to earnings forecasts in the absence of any major natural catastrophes. Conduit Re has avoided the worst impact of these as most of the risk so far has been carried by the insurers themselves. [IC]

Conduit Holdings (CRE)

Share price	454.4p
Market cap	£749.4 million
Forecast EPS 2024	108p
PE 2024	5.3
Forecast dividend 2024	36.5p
Dividend yield 2024	6.4%
Financial year end	31-Dec

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

HOLLYWOOD BOWL

Ten-pin bowling operator **Hollywood Bowl (BOWL)** is a super-resilient, cash-generative company whose growth potential in the UK and Canada looks underappreciated by the market based on its current valuation.

Bowling is an affordable, family-friendly leisure activity with a defensive bent and Hollywood Bowl has scope to beat consensus estimates as robust customer demand, site refurbishments and selective price increases enhance like-for-like sales.

Even if economic conditions aren't too favourable people still want the break from the stresses and strains of work and life which a trip to a bowling alley can provide. And a key part of the company's strategy has involved sprucing up its venues to make them more attractive places to go.

A premium-priced private equity bid for smaller rival **Ten Entertainment (TEG)** demonstrates the experiential entertainment sector remains significantly undervalued. Once Ten Entertainment delists, Hollywood Bowl, blessed with higher-quality venues, will have scarcity value as the only listed player in an attractive space.

For the uninitiated, Hollywood Bowl is the UK's largest bowling centre operator with a network of 69 sites and also operates the Puttstars mini-golf brand. While rolling out UK sites organically, the company has a further nine centres in Canada following last year's Splittsville acquisition.

Despite its status as the UK's leading bowling centre operator, Hollywood Bowl has fewer than 20% of the nation's total sites so there is a substantial domestic growth opportunity ahead. Berenberg says the UK footprint has potential to grow to 93 over time, while the count in Canada could grow to north of 40 sites, driving sustainable medium-term growth.

Hollywood Bowl's business in Canada, a fragmented and underinvested market ripe for expansion, generated impressive 15.1% like-for-like sales growth in the year to 30 September 2023, has 'excellent' momentum according to management and should become a much more significant component of group earnings going forward.

Up 4.1% last year, Hollywood Bowl's UK like-for-like sales have historically beaten market expectations thanks to its compelling value-for-money proposition as well as investments in sites and technology and should continue to grow as the tough economic environment keeps footfall ticking over. Landlords are increasingly keen to bring Hollywood Bowl into new and existing developments as the tenant of choice, so the company's new sites pipeline should continue to grow.

A strong net cash balance sheet gives Hollywood Bowl the firepower for self-funded growth, acquisitions, dividends and share buybacks. Risks to consider include any future declines in consumers' disposable incomes or in the popularity of bowling, as well as future challenges in securing new sites at reasonable cost. [JC]

Hollywood Bowl

(p)

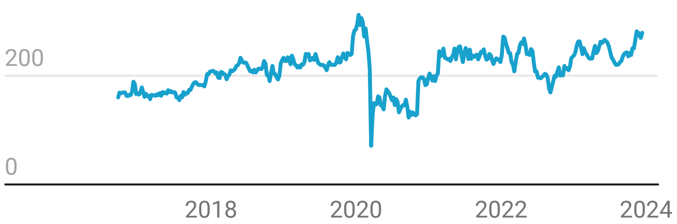

Chart: Shares magazine • Source: LSEG

Hollywood Bowl (BOWL)

Share price	285.5p
Market cap	£485.1 million
Forecast EPS 2024	20.9
PE 2024	13.5
Forecast dividend 2024	12.9
Dividend yield 2024	4.6%
Financial year end	30-Sep

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

HUNTING

Energy services firm **Hunting (HTG)** is in the midst of a transformation which we think continues to be underappreciated by the market. The company has historically been heavily reliant on US onshore rig activity and is coming to the end of a restructuring process aimed at rebuilding profit after a difficult period in the wake of the pandemic.

Evidence of its recovery should come through early in 2024 when it reports its 2023 results, and over the course of the next 12 months the company's efforts to diversify into areas linked to the energy transition should also become more apparent. In our view this can drive a rerating of the shares from a little less than nine times 2024 forecast earnings.

An investor day in September saw the company make clear the business will no longer be so reliant on its flagship Titan product. This is a perforating gun used to penetrate wells in preparation for production and is mainly sold in the US. In 2019 perforating systems accounted for 37% of group revenue, but in 2023 this is projected at 30% of revenue.

Hunting's new strategy, which will drive further diversification by geography and product, aims to deliver 15% EBITDA (earnings before interest, tax, depreciation and amortisation) margins by 2025, from the guided 10% to 11% for 2023, with further improvement to come by 2030.

The company hopes to generate $1 billion in free cash flow through to the end of this decade, which should offer plenty of scope for investing in the business and rewarding shareholders with dividends. The company already anticipates being in a net cash position as at the end of 2023.

Hunting sees multiple avenues for growth which should improve the predictability of earnings and result in a more generous valuation from the market.

At present, most of its revenue outside Titan comes from OTCG products (tubes used in oil and gas production) and subsea equipment and technology such as couplings to connect parts of machinery, production risers (the portion of pipeline extending from the seafloor to the surface) and hydraulic valves.

The company also makes electronic parts for the medical, defence and aerospace industries, and plans to bring its engineering expertise to bear in emerging areas like geothermal energy and carbon capture.

Out of a targeted $2 billion revenue in 2030, the company expects at least $250 million to come from energy transition work, and the overall expectation is 25% of its revenue will come from outside the oil and gas market by that date. [TS]

Hunting

Chart: Shares magazine • Source: LSEG

Hunting (HTG)

Share price	269p
Market cap	£435.4 million
Forecast EPS 2024	36.5p
PE 2024	9.2
Forecast dividend 2024	11.6p
Dividend yield 2024	3.5%
Financial year end	31-Dec

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

JUST GROUP

Annuities and lifetime mortgage specialist **Just Group (JUST)** looks screamingly cheap at its current price. We think 2024 will see a rerating from its current low single-digit PE (price to earnings) ratio with the company confident of hitting its 15% underlying operating profit growth target in 2023.

This profit growth should underpin growth in dividends at a similar level, particularly given the company's actions to reduce balance sheet risk through interest rate hedging.

Just Group's mission statement is to provide competitive products, financial advice and guidance to people in later life. There are growth drivers in the short, medium and long term – not least a growing over-65 population in the UK.

Right now, the company is benefiting from a strong bulk annuities market. Bulk annuities are insurance products which are sold to defined benefit schemes allowing them to transfer their risk, so that the insurance company – in this case Just Group – pays benefits to pension scheme members covered by the policy until they die.

Higher rates have made it more affordable for pension schemes to go down this road and according to Just Group only 11% of total defined benefit liabilities have been 'de-risked' this way – which underpins the company's bullishness on the scale of the opportunity ahead of it.

Consultant Lane Clark & Peacock estimated in 2022 that more than £600 billion of bulk annuity deals would complete over the following 10 years. In a record first half of 2023 Just Group chalked up 35 such deals.

Individual annuities are 'guaranteed income for life' products which are bought by people when they reach retirement age. These have become more attractive of late, again thanks to higher interest rates.

Just Group also sells lifetime mortgage products which are effectively a type of equity release product. Any risks associated with exposure to the housing market are mitigated as the average loan to value is little more than 35%.

The shares appear to have fallen out of favour thanks to accounting changes – the new IFRS17 standard means profit on bulk and individual annuities is deferred, making it seem as if earnings have dropped off a cliff. This resulted in a 90% drop in reported 2022 profit and is expected to have a 70% to 80% impact from 2023 to 2027.

However, IFRS17 has zero impact on cash flow, capital generation or the economics of the business. As this becomes more apparent, for example as the company continues to serve up generous dividends, we would expect the market to reappraise the investment case. [TS]

Chart: Shares magazine • Source: LSEG

Just Group (JUST)

Share price	84.9p
Market cap	£882.9 million
Forecast EPS 2024	28.5p
PE 2024	3.0
Forecast dividend 2024	2.13p
Dividend yield 2024	2.5%
Financial year end	31-Dec

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

MONGODB

We believe **MongoDB (MDB:NASDAQ)** could be one of the hottest ways to play another strong year of AI (artificial intelligence) growth in 2024, and many analysts agree. It's a higher risk play but matched by exciting potential.

MongoDB is all about massive data; managing, analysing and drawing valuable insights from it. You might think we are already drowning in data but if AI is to deliver on its huge promise, we are going to need more of it... much more. Data is AI's rocket fuel.

MongoDB operates a scalable and flexible document database that can handle both structured (spreadsheets, for example) and unstructured data sets (text documents, say). It is hugely popular with software developers because it is simple to learn and use, while still providing all the powerful capabilities needed to meet the most complex requirements at any scale.

It has also become a hit with corporate buying departments, allowing companies to seamlessly tailor the software to their own multi-cloud computing environments in multiple software coding languages.

It is a point not missed by Wells Fargo. Its analysts believe the key to long-term growth is MongoDB's ability to win new workloads, as 'every incremental workload has an exponential impact on annual recurring revenue'.

Running AI programmes requires huge amounts of data from which AI can analyse and learn. Take self-driving cars, for example. Not only do they require enormous computing power to assess a multitude of geolocation data points, but they also must constantly assess large numbers of mobile factors – other vehicles, people, animals, weather, and lots more that could affect the car and its passengers.

Since listing on Nasdaq in 2017, MongoDB has consistently smashed growth expectations, firing the stock to gains of more than 1,100%. In its last quarter (to 31 October, its fiscal third quarter), the near-$30 billion company smashed expectations of $406.3 billion revenue at $432.9 billion.

Crucially, earnings did the same, its $0.96 per share blasting past the $0.51 predicted by analysts. That will mean fiscal 2024 (to Jan) will go down as MongoDB's breakthrough year for positive net earnings. Fiscal 2025 should be even better, with consensus pitched at $270 million of net profit on more than $2.02 billion revenue, implying 22% growth.

Yes, the stock has had a fantastic 2023, more than doubling, but that still leaves the share price far below record $570 levels of June 2021. With net cash of around $600 million to fund further growth, we expect 2024 to be another strong year for shareholder returns. [SF]

MondoDB

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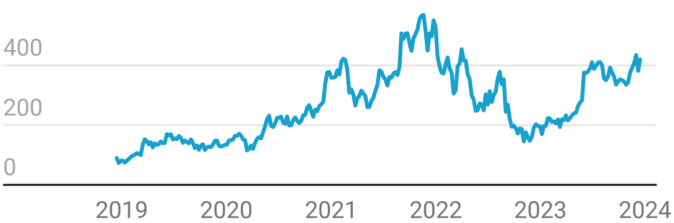


Chart: Shares magazine • Source: LSEG

MongoDB (MDB:NASDAQ)

Share price	$420.17
Market cap	$30.3 billion
Forecast EPS 2025	$3.33
PE 2025	126
Forecast dividend 2025	N/A
Dividend yield 2025	N/A
Financial year end	31-Jan

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

PURETECH HEALTH

Boston-based biotechnology company **Puretech Health (PRTC)** has a strong track record of creating value for shareholders.

Yet its share price languishes more than 50% below a sum-of-the- parts valuation and implies the company's internal pipeline of assets is worthless, which is far too pessimistic and provides savvy investors with a relatively low-risk buying opportunity.

Puretech operates a unique, hybrid business model whereby it invests its own capital to develop a pipeline of assets as well as running a 'Founded Entities' business for outside investors to provide capital.

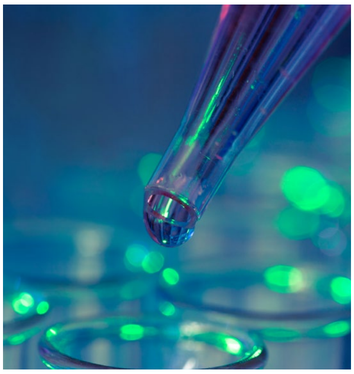
Crystallising value in the Nasdaq-listed quoted Founded Entities has allowed the company to fund new projects and return capital to shareholders. These entities have raised $3.8 billion since 2018, of which 96% was funded by third parties.

The most successful entity to date has been **Karuna Therapeutics (KRTX:NASDAQ)**, which has an oral schizophrenia drug KarXT in development. Approval is expected in 2024 and would make KarXT the first new schizophrenia treatment to be commercialised in over 50 years.

Analysts at William Blair estimate KarXT could generate revenue of $2.5 billion a year in the US by 2028, making it a 'blockbuster' treatment.

Puretech sold a royalty interest in KarXT to Nasdaq-listed **Royalty Pharma (RPRX:NASDAQ)**. This comprises of an upfront payment of $100 million, up to $400 million in commercial milestones and royalties on sales over $2 billion.

In aggregate, the company has the potential to crystallise $780 million from an initial $18.5 million investment and it still retains an equity interest of $375 million equating to a return on investment of over 60 times.



Liberum believes two more of the company's clinical-stage assets have unrecognised 'blockbuster' potential.

Puretech's $320 million of cash and cash equivalents on the balance sheet and its stake in Karuna shares, worth around $195 million, add up to more than its current market capitalisation.

Liberum estimates the value of the other founded entities and risk-adjusted value from the firm's internal pipeline adds up to 370p per share, which means the shares are trading at a 59% discount to intrinsic value, implying 142% upside.

The biggest risk is the shares remain unappreciated and value takes longer than expected to crystallise. This might be a problem for a normal biotech company developing a drug pipeline as financing needs are never far away.

However, this clearly isn't a concern for Puretech given the huge amount of cash sitting on its balance sheet. This in turn may invite potential bidders for the business and provides another possible exit for patient investors. [MG]

Puretech Health

Chart: Shares magazine • Source: LSEG

Puretech Health (PRTC)

Share price	150.4p
Market cap	£399.6 million
Forecast EPS 2024	N/A
PE 2024	N/A
Forecast dividend 2024	N/A
Dividend yield 2024	N/A
Financial year end	31-Dec

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

RELX

FTSE 100 firm **RELX (REL)** is ‘ahead of the game’ when it comes to integrating artificial intelligence (AI) into its business and we think this continues to be underappreciated by the market. We expect that to change in 2024 and this makes the shares a compelling investment for the year ahead.

RELX takes large datasets and analyses these for clients across a range of sectors as well as publishing scientific journals and research. The latter includes ScienceDirect – the world’s largest platform dedicated to peer reviewed primary scientific and medical research – which has proved to be resilient particularly in times of macroeconomic and geopolitical uncertainty.

The company has been investing in innovation around data analytics and AI for several years which is helping to reinforce an already strong competitive position. It is also supporting a move from a low-single-digit organic growth rate to mid-single digit growth, with the company’s progress augmented by bolt-on acquisitions.

The company has four separate divisions: risk, legal, exhibitions and scientific, technical, and medical (STM) and enjoys strong recurring revenue thanks to a subscription-based business model.

RELX observes that its products often account for less than 1% of its customers‘ total cost base but can have a significant and positive impact on the economics of the remaining 99%. In other words what RELX charges its customers is a very small proportion of their overall spend but is also really significant to how they do business which helps reinforce the stickiness of its revenue streams.

The application of generative AI is probably most

RELX

(p)

Chart: Shares magazine • Source: LSEG

advanced in the legal division where its Lexis +AI product is bringing artificial intelligence capabilities to its existing research platform. This can help lawyers digest complex legalese and conduct useful analysis.

The company’s exhibitions division is running ahead of pre-pandemic levels with a 12% increase in first half revenue with exhibitors now using a growing range of digital tools.

The stock often looks fairly expensive but if you if you’d let a similarly lofty valuation put you off a decade or so ago, for example, you’d have missed out on a total return of more than 300% in the interim or around 15% on an annualised basis.

RELX will continue to develop and incorporate content, higher value-add analytics, decision tools and generative AI across all its segments and the company is well positioned to be beneficiary of the long-term structural growth in this area. [SG]

RELX (REL)

Share price	£30.59
Market cap	£57.1 billion
Forecast EPS 2024	124p
PE 2024	24.4
Forecast dividend 2024	63.5p
Dividend yield 2024	2.1%
Financial year end	31-Dec

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

SMITH & NEPHEW

Tentative signs of sustainable margin improvement and market share gains, combined with the tailwind provided by continued recovery in elective procedures, should provide medical products company **Smith & Nephew (SN.)** with positive momentum heading into 2024.

The shares are trading close to 10-year lows, and from a valuation perspective have rarely offered better value relative to the UK market and the firm's US and European peers than they do currently.

Analysts at Berenberg estimate the shares are trading on a 2023 PE (price to earnings) ratio of 15 times, which looks stingy compared with three-year expected earnings per share growth of 16% per year.

Also, sentiment should get a boost from the appointment of new chief financial officer John Rogers, the former CFO of advertising group **WPP (WPP),** who has extensive experience in business transformations and capital markets.

We believe the current depressed valuation offers a buying opportunity which should be rewarded as better operational performance is delivered.

In the medium-term, the firm is targeting more than 5% underlying annual revenue growth and a trading profit margin of over 20%, which would bring it closer to its global peers.

At the beginning of November, the firm raised its full-year sales growth guidance to the top end of the range of 6% and 7% which is encouraging.

At an investor event at the end of November, chief executive Deepak Nath said the company had completed 65% of its 12-point plan (to improve operational performance) compared with 45% at the half-year mark meaning investors should start to see tangible evidence of progress.

One example cited by Berenberg is an improvement in commercial delivery in Orthopaedics (hip and knee transplants) which is leading to market share gains.

There is concern in some quarters that the widespread adoption of weight-loss drugs could reduce the demand for knee and hip replacements, as being overweight is a contributing cause of joint wear.

The chief executive believes the opposite is true. 'As patients presumably benefit from GLP-1, (a class of weight-loss drugs), you could actually see some of these patients who are previously ineligible for joint replacement become eligible for that surgery,' observed Nath.

The current senior management team appears to be gaining traction and delivering tangible financial benefits, and *Shares* thinks the risk of the firm not delivering on the turnaround are already factored into the low valuation. [MG]

Smith & Nephew

Chart: Shares magazine • Source: LSEG

Smith & Nephew (SN.)

Share price	£10.45
Market cap	£9.1 billion
Forecast EPS 2024	99p
PE 2024	13.4
Forecast dividend 2024	39.9p
Dividend yield 2024	3.0%
Financial year end	31-Dec

Table: Shares magazine • Source: Shares magazine, Stockopedia. Prices taken 18 December 2023

The making of a **dividend hero**

The Bankers Investment Trust has achieved 56 years of dividend growth thanks to a global, diversified and differentiated approach…

A 'dividend hero' isn't just a trust that pays an attractive dividend today. Rather, it is a trust that pays consistent dividends over the long term. The Bankers Investment Trust has achieved the latter, paying a dividend to shareholders every year for the past 133 years. This means we haven't missed a dividend despite two world wars, two major global pandemics and many market crashes to name just a few obstacles. We have even increased the trust's dividend in each of the past 56 years, growing on average at twice the rate of inflation, as measured by the CPI, in the UK.

This consistent desire to pay a dividend means we must continually seek new dividend-paying opportunities that fit the portfolio, ones that we can hold over the long term. We do this by looking far and wide for strong companies that are continually generating healthy cash flows.

Going global for income

With our global mandate, we are not geographically restricted. This not only widens our universe of investment opportunities but also means we can better diversify our risk exposure. We have six regional portfolios, or 'sleeves', in the trust, each with its own specialist fund manager who has substantial depth of knowledge of their specific markets.

North American equities are predominant in the portfolio, accounting for 39%, but the rest is quite evenly split. We have between 13% to 17% allocated to companies from each of Japan, the UK, Europe and Asia Pacific. Over the past few years, we have increased our US exposure, while simultaneously allocating away from UK and European names.

Being able to look further afield can provide the edge when seeking income. For instance, our 13% exposure to Japanese companies – including a top 10 holding in Toyota – has meant we could benefit from Japan's newfound era of shareholder engagement, with numerous buybacks and dividends. This kind of exposure is of benefit as finding reliable dividend payers has become more challenging in popular locations such as the UK and Europe.

We are mindful that the performance of our US equity market exposure is starting to look stretched. The post-pandemic reopening boom is fading, with US retail sales declining, bank lending conditions tightening to recessionary levels and high valuations relative to history. Fortunately, for holders of high-quality US stocks like ourselves, evidence suggests that these kinds of stocks outperform when profit cycles decelerate as they have the cash-generating ability to maintain income during downturns and have attractive balance sheets that can provide a buffer in these periods.

Achieving income consistency

Our diversified, global approach doesn't just mean we are able to mitigate risk but also helps us generate greater consistency with our dividend payments. We do not pay dividends out of capital, instead purely out of the earnings we receive from our companies. Importantly, our trust structure also means we can retain income in anticipation of challenging periods. The year following the Covid-19 pandemic was a challenging period to maintain dividends for even the strongest companies, but we were still able to pay an increased dividend through retained income.

Income consistency cannot be achieved through geographical diversification alone, so it's important to have exposure to a range of sectors. In technology, we have investments in areas such as semiconductor manufacturing (KLA Tencor and TSMC), AI (Microsoft) and networking (Cisco) and this gives us good coverage of the fast-evolving trends dominating that space. Elsewhere, we are investing to help support an ageing population through healthcare companies, targeting dividend-paying companies such as Stryker, AstraZeneca and United Health that are at the forefront of innovation in that area.

In addition, although we have allocated away from industrial names due to margin and demand concerns, we are invested in the themes of electrification, re-shoring supply chains and decarbonisation. We do so via companies that are growing dividends, such as Rockwell Automation, Hitachi and Honeywell International.

Generating income today and tomorrow

The Bankers Investment Trust does not aim to grow dividends higher than inflation (measured by the Consumer Price Index) in every single year, but rather to secure income growth above inflation over the long term. This means every portfolio decision we make isn't just for the dividend today, but for dividends tomorrow and beyond.

Our long-term view, and commitment to consistency, means we are on track to grow our dividend at a healthy rate for the current fiscal year. This is evident in our third interim dividend for the year to 31 October 2023 growing 10% from last year, an especially favourable position when UK CPI grew at 4.6% in the year to October 2023. We will continue to maintain a long-term view, targeting not just this year's dividend but dividends for the next generation too.

Performance

Discrete year performance (%)	Share price (total return)	NAV (total return)
30/09/2022 to 30/09/2023	3.5%	10.0%
30/09/2021 to 30/09/2022	-11.4%	-9.9%
30/09/2020 to 30/09/2021	11.0%	18.6%
30/09/2019 to 30/09/2020	9.1%	6.5%
30/09/2018 to 30/09/2019	8.1%	6.6%

Past performance does not predict future returns.

Source: At 31/10/23

GLOSSARY

Balance sheet
A financial statement that summarises a company's assets, liabilities and shareholders' equity at a particular point in time. Each segment gives investors an idea as to what the company owns and owes, as well as the amount invested by shareholders. It is called a balance sheet because of the accounting equation: assets = liabilities + shareholders' equity.

Consumer price index (CPI)
A measure that examines the price change of a basket of consumer goods and services over time. It is used to estimate inflation. 'Headline' CPI inflation is a calculation of total inflation in an economy, and includes items such as food and energy, where prices tend to be more volatile. 'Core' CPI inflation is a measure of inflation that excludes transitory/volatile items such as food and energy.

Net asset value (NAV)
The total value of a fund's (or company's) assets less its liabilities.

BIG INTERVIEW

Can electricals leader Currys deliver some turnaround spark?

Read our exclusive interview with the electrical goods retailer's determined CEO Alex Baldock

While the present-day incarnation of **Currys (CURY)** is a technology products specialist selling everything from whizzy gadgets to white goods, the retailer's origins can be traced back to 1884 when one Henry Curry founded the Curry Cycle Co bicycle-building business.

In 1984, Dixons Retail acquired Currys and thirty years later, 'Dixons Carphone' was formed through a complex merger between Dixons and mobile phone chain Carphone Warehouse.

A name change to Currys ensued in 2021 with the Currys PC World, Carphone Warehouse and Team Knowhow brands consolidated under one strong brand, 'Currys'.

After benefiting from the pandemic-induced pull-forward of spend on TVs, laptops, printers and household appliances engendered by the pandemic, the post-Covid backdrop has been tougher for Currys.

Persistent inflation and rising rates have put the squeeze on consumers' discretionary spending, and the retailer has faced stiff headwinds in the hitherto healthy and wealthy Nordics. Earnings have fallen to cyclical lows as cost-of-living pressures dissuade hard-pressed consumers from splurging on new gadgets.

However, the unloved shares sparked higher on results (14 December 2023) for the seasonally-weaker first half to 28 October, which finished before Currys' peak Christmas period but showed a dramatically narrowed statutory loss, margin improvement in the domestic business and a profit rebound in the Nordics, where Currys trades as Elkjop.

Group EBIT (earnings before interest and tax) rose 7% to £31 million, ahead of the £25 million called for by Liberum Capital and giving management the confidence to reiterate year-to-April 2024 guidance, suggesting the Christmas trading period was off to a solid start.

BROAD-BASED ADVANTAGES

With the air fryer, gaming console and smart watch seller executing against a credible turnaround strategy, *Shares* jumped at the chance to chat to chief executive Alex Baldock, who previously garnered plaudits from sector-watchers for driving the digital transformation of Shop Direct (now known as Very) from a catalogue retailer into Britain's second biggest e-commerce pure-play before being recruited by Currys.

Since the consumer environment remains tough, and the £571.9 million cap operates on thin margins in a cut-throat market, *Shares* was keen to learn what the chief executive thinks are Currys' key competitive advantages.

'We sell technology which the customer finds exciting, but equally, people can find tech confusing, so they need help,' enthuses Baldock. 'Help is valued in this market in a way it isn't in every retail sector, and Currys is best-placed to help because of the assets we've got that nobody else has.'

In the UK and internationally, Currys is 'the market leader with around a quarter or more of the market', explains Baldock. '80% of UK households are Currys customers, so that's a good starting position,' he continues, and customers want to shop for technology through a mixture of online and bricks-and-mortar stores.

Currys 'has got both, and at scale. And we've got the supply chain, logistics and service operations that sit beneath that. This is a fine margin sector, and the barriers to entry for somebody to come in and do what we do at scale are prohibitively high.'

The ambitious boss asserts that Currys 'has assets that nobody else is going to get close to, whether it's the credit services to help customers afford things or the installation services to help get them started, or the repairs, the recycling at the end-of-life, or our own mobile network with over 1.5 million subscribers and counting'.

Currys' profits are forecast to recover strongly

Year to April	Total sales (£bn)	Underlying PBT (£m)	EPS (p)	PE Ratio
2023 (A)	9.51	119.0	8.3	6.1
2024 (F)	9.00	110.6	7.3	6.9
2025 (F)	9.34	139.9	9.2	5.5
2026 (F)	9.57	163.4	10.8	4.7

Table: Shares magazine • Source: Table, Shares *Forecasts, Liberum Capital

But for Baldock, the final piece of evidence that Currys has an advantaged model is that market leaders in every developed market in the world 'look a lot like us, whether it's **Best Buy (BBY:NYSE)** in the US, **FNAC Darty (FNAC:EPA)** in France or **JB Hi-Fi (JBH:ASX)** in Australia, they are all the scale, omnichannel specialist market leader'.

> **"We sell technology which the customer finds exciting, but equally, people can find tech confusing, so they need help"**

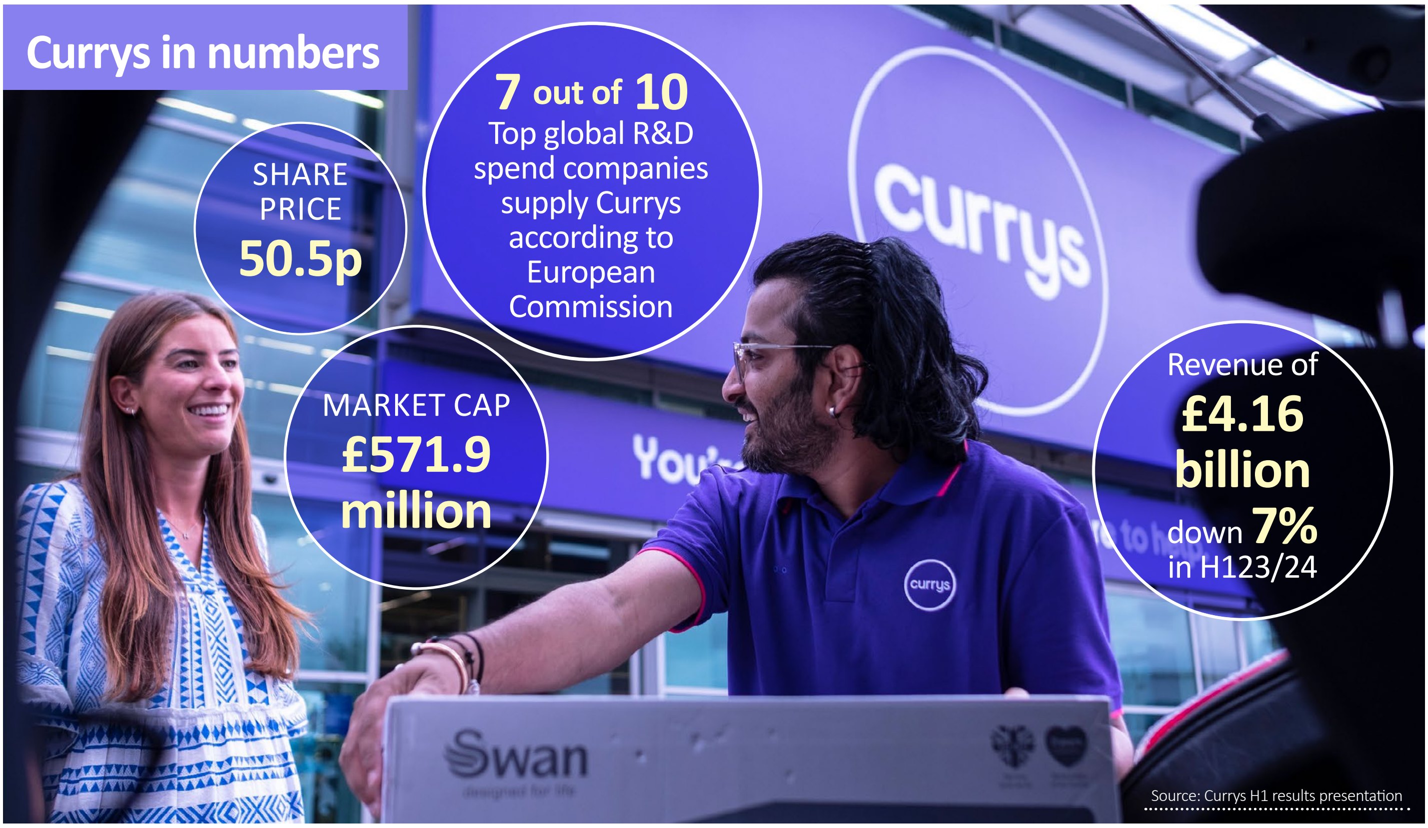
NORDIC NIGHTMARE NEARS ITS END

A tough market backdrop and inflationary pressures meant UK &

A DEPRESSED VALUATION

Shares in Currys are down 60% over five years and 18% over one year, and languish on a depressed rating that looks attractive considering the group's recovery potential. Currys trades at a discount to electricals peers like **AO World (AO.)**, Best Buy, **Ceconomy (CEC:ETR)** and FNAC Darty.

This depressed valuation has sparked speculation the electricals leader could become a takeover target, and has not gone unnoticed by **Frasers (FRAS)**, the retail conglomerate controlled by Mike Ashley, which has amassed a 12.7% stake via shares and financial derivatives. 'You won't find me whinging about the share price,' says Baldock. 'This is a show-me market and we need to show the market that in particular, we're off the bottom in the Nordics.'



Source: Currys H1 results presentation

Ireland like-for-like sales were down 3% in the first half and EBIT declined by 40% to £15 million, but this masked gross margin improvement and the delivery of cost savings.

Also, as Baldock noted in the results statement, profits were in line with expectations thanks to a focus on 'more profitable sales and growing the services that drive margins and customer lifetime value. Credit, Care & Repair and iD Mobile are all performing strongly, while colleague engagement and customer satisfaction continue to rise'.

For more than a year, Currys has been a tale of Nordic noir with its previously reliable Scandinavian business beset by competitive and inflationary pressures. Profit from the Nordics declined by a nightmarish 82% in the year to April 2023, interrupting a 20-year track record of rising earnings from the region.

The heartening news for shareholders is Currys delivered a year-on-year surge in first-half Nordics EBIT from £3 million to £12 million with gross margins up 190 basis points year-on-year, back to the levels of two years ago.

'There's still a long way back to healthy Nordics performance, but we're on the way,' Baldock tells *Shares*. While like-for-like sales fell 6% and consumer demand remains subdued, Baldock has called the bottom in the Nordics, where Elkjop is 'on the recovery track'.

Nordic competition remains 'vicious', but key rivals are now more focused on profit and cash and less on market share growth. 'All the progress that we've seen in quadrupling profits in the Nordics, albeit off a low base, in the half has come from self-help on margins and costs,' says Baldock. 'But to get back to £100 million-plus of EBIT is going to require some kind of recovery in the market, but there's nothing structural or permanent in what we've seen going on in the Nordics.'

HAS CURRYS BECOME LESS CYCLICAL?

Currys' management is 'broadly' happy with the current store footprint, having shuttered a lot of UK stores going back a few years. 'We closed all the small high street mobile-only stores, 600 of them,' recounts Baldock. Now, the retailer has 'circa 300 larger stores, overwhelmingly on retail parks, which have the space for all the tech and all the experts in one place, anyone in the country can get to one quickly'.

Short average remaining lease lengths give Currys the flexibility to close further stores 'if we change our mind', says Baldock. 'We're not sentimental, every store has to make sense or we'll close them. But broadly, having lots of stores and a big online presence is the right model for us.'

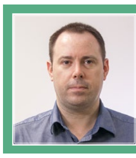
As pressures on household budgets begin to ease, appetite for buying larger-ticket items should return. Meanwhile, Currys is benefiting from enduring trends that accelerated during Covid. Hybrid working is here to stay, and online learning and home entertainment continue to grow fast.

Baldock concedes it would be 'naïve' to believe Currys can ever be completely non-cyclical, but the the business is becoming less cyclical than it used to be. 'A lot of what we sell isn't really discretionary. If you work from home, is a laptop or a printer discretionary? If your washing machine or cooker break, is it discretionary whether you replace them? Plus, we are selling more services like credit, care and repair and mobile subscriptions, all of which carry recurring revenues that are by definition less cyclical.'

One of the key priorities for Baldock and finance director Bruce Marsh is to strengthen Currys' balance sheet and liquidity. The retailer is in the process of selling its Greece and Cyprus retail business, Kotsovolos, for net proceeds of £156 million, initially earmarked for debt reduction. Paying down debt will give Currys greater flexibility to invest to grow profits and cashflow, and the retailer will also explore the potential to return any surplus capital to shareholders.

Besides operational, regulatory and financial risks, Baldock is ever-attentive to the threat from rivals including the 800-pound gorilla in the room,

namely **Amazon (AMZN:NASDAQ)**. 'You'd be pretty complacent if you took that threat lightly,' concedes Baldock. 'At the same time Amazon has been the number two in our market for 25 years, so competing against them is not exactly new and with our omnichannel and services, we've got differentiators Amazon will never have.'



By **James Crux**
Funds and Investment Trusts Editor

WHAT ANALYSTS ARE SAYING

'While there is a lot to like about the first-half results, we await further evidence of cost control against a difficult macro backdrop that brings uncertainty with it,' writes Berenberg, which has penciled in a return to the dividend list for Currys in fiscal 2026.

Liberum Capital forecasts a drop in underlying pre-tax profit from £119 million to £110.6 million for the year to April 2024 ahead of a strong recovery to £139.9 million and £163.4 million for full years 2025 and 2026 respectively.

Liberum sees the sale of the Greece and Cyprus operations as 'an excellent outcome' which further bolsters the balance sheet and should 'help to deliver a circa £50 million year-end net cash position (excluding leases and pension). If one applies the achieved deal EV/EBIT of 14 times to the rest of the group, it suggests a valuation of more than double the current share price to over 100p (even on very depressed Nordics earnings)'.

Due to the bombed-out valuation, Liberum says it 'cannot be ruled out that Currys could be subject to approaches from interested parties. The sale of Greece could be seen to somewhat "tidy up" the group structure, making an acquisition and integration simpler for any would-be acquirers'. [JC]

Discover the stocks the professionals changed their minds on in 2023

We asked a group of leading fund managers to explain situations where their view changed

For the second part of our annual survey, we asked fund managers if they had changed their view on any stocks this year, for better or for worse, and what lay behind their decisions.

As with the winners and losers survey last week, the answers were often frank and once again we would like to thank everyone who took part.

Thomas Moore

Aberdeen Equity Income Trust (AEI)

THE STOCK THAT I CHANGED MY MIND ON

'During the year we changed our view on real estate company **Assura (AGR)** which designs, builds, invests in and manages GP and primary care buildings in the UK.

'We first bought the company in 2014 and the stock performed very well, so we sold it in 2021. Then the share price collapsed from the end of 2021 to the start of 2023 due to higher interest rates, which had a significant impact on the share price.

'We bought the stock back last month as it is a steady business with some net asset value (NAV) growth and an attractive 7% dividend yield.'

Stuart Gray

Alliance Trust (ATST)

THE STOCK THAT I CHANGED MY MIND ON

'In a diversified, high-conviction portfolio there are always going to be changes for different reasons. Some are driven by significant share price gains, such as Black Creek selling Heidelberg Materials.

'Others can be due to market developments. For example, some stocks were more resilient than expected to a rising interest rate environment such as **Walmart (WMT:NYSE)** and **British American Tobacco (BATS)**. These companies were sold to make room for more attractive opportunities with higher growth potential, such as **Amazon (AMZN:NASDAQ)** and **Microsoft (MSFT:NASDAQ)**.'

Julian Bishop

Brunner Investment Trust (BUT)

THE STOCK THAT I CHANGED MY MIND ON

'We have reduced our position in **Novo Nordisk (NOVO-B:CPH)**. While the company has demonstrated mastery of a key therapeutic area, we are acutely aware it has become highly reliant on one pharmaceutical molecule (semaglutide, used in its treatments for both diabetes and obesity). Semaglutide enjoys patent protection, but this ends in the early 2030s.

'On the opposite side we have been adding to our position in **ASML (ASML:AMS)**, the Dutch semiconductor capital equipment company. They make some of the most complex machines on earth used to manufacture very advanced semiconductors. The end market is cyclical and recent sales weakness allowed us to pick up shares in this de-facto monopolist at attractive valuations from a portfolio investment case perspective.'

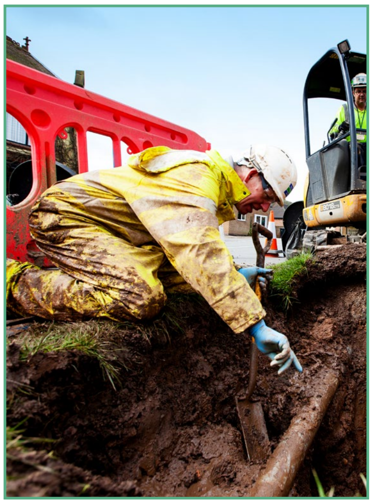
James Henderson

Henderson Opportunities Trust (HOT), Law Debenture (LWDB) and Lowland (LWI)

THE STOCK THAT I CHANGED MY MIND ON

'We're multi-cap investors and have reduced our exposure to some of the more secure, large-cap businesses, which had held up relatively well.

'That's meant reducing our holdings in utilities and perfectly good companies like **Severn Trent (SVT)**, to take advantage of the deep discounts we're seeing in mid-size and smaller companies. We've also put on some gearing, which is a sign of our confidence.'



Guy Anderson

Mercantile Investment Trust (MRC)

THE STOCK THAT I CHANGED MY MIND ON

'While portfolio turnover is relatively low, we continue to evaluate each holding within our investment framework and will recycle capital as needed, as in the case of **Spirax-Sarco (SPX)**.

'Despite owning the company for many years, we exited our position in the first half of the year following concerns over the growth outlook, particularly in their Watson Marlow division which had benefitted greatly from increased demand during the pandemic.

'Conversely, we have added several names to the portfolio this year, including airline and packaged holiday provider **Jet2 (JET2:AIM)** which we believe could be well positioned to benefit from strong consumer demand for holidays and could continue to gain market share due its strong customer proposition.'

Simon Barnard

Smithson Investment Trust (SSON)

THE STOCK THAT I CHANGED MY MIND ON

'We sold **Masimo (MASI:NASDAQ)**, the US medical device company, after becoming increasingly concerned about the behaviour of management against an activist investor who became involved with the company.

'We were already worried by the management decision to acquire a company that had very limited overlap with the existing business, but became increasingly so when Masimo issued a profit warning soon after claiming that the business was operating well. We felt we could no longer trust the management team so we exited the position.'

Jamie Ross

Henderson Eurotrust (HNE)

THE STOCK THAT I CHANGED MY MIND ON

'2023 has been another year where rising rates have negatively impacted the valuation of growth companies. You could argue this is fair, because rising long-term rates should have a negative impact on the valuation of long duration assets.

'However, changes in market sentiment can create opportunities and we have been focused on finding high-quality growth companies that have been overly punished.

'We have initiated positions in Swiss testing company **SGS (SGSN:SWX)** Dutch brewer **Heineken (HEIA:AMS)** and German sportswear company **Puma (PUM:ETR)**. All three companies meet the quality threshold we look for, have attractive long term growth prospects, and have become too cheap in the current environment.'

Tom O'Hara

Henderson European Focus Trust (HEFT)

THE STOCK THAT I CHANGED MY MIND ON

'We navigated banks badly earlier in the year by buying into them – unusually for us – right before Silicon Valley Bank's implosion hit the sector. We thought they'd do very well in a European bull market.

'We got it wrong and changed our minds, since when we've reverted to having no exposure. Net interest margin expansion has peaked, and banks face a future of more regulatory/government constraint and potentially repeated "one off" taxes on profits. Big fiscal deficits increase the risks of governments being greedy with sectors it views as easy targets.'

Richard Penny

Crux UK Smaller Companies Fund (BQV37J7)

THE STOCK THAT I CHANGED MY MIND ON

'We bought and sold a number of shares for a profit during the year, banking gains of 135% in **Inspecs (SPEC:AIM)**, 90% in **Ten Lifestyle (TEG:AIM)**, 41% in **Journeo (JNEO:AIM)**, and 25% apiece in **Cakebox (CBOX:AIM)** and **On the Beach plc (OTB)**.

'However, we also closed some positions at a loss including **Seeing Machines (SEE:AIM)** and **WANdisco (WAND:AIM)**'

Charles Montanaro

Montanaro Asset Management and Montanaro UK Smaller Companies Investment Trust (MTU)

THE STOCK THAT I CHANGED MY MIND ON

'We didn't change our view so much as change the portfolio strategy, reducing the number of holdings to between 35 and 40 high-conviction investments. We lost three longstanding holdings to bidders – Dechra Pharmaceuticals, Ergomed and Biffa – and there were just two new purchases, **LondonMetric (LMP)** and **Bytes Technology Group (BYIT)**.

'Our companies have performed broadly as expected, while share price weakness has allowed us to increase our investment in companies such as **Marshalls (MSLH), DiscoverIE (DSCV)** and **Kainos (KNOS)**. In addition, a fundraising by **XP Power (XPP)** to strengthen its balance sheet allowed us to increase our holding.'

George Ensor

River & Mercantile UK Listed Smaller Companies Fund (B1DSZS0)

THE STOCK THAT I CHANGED MY MIND ON

'It's more a case of evolution than revolution, but this hopefully provides an insight into our company lifecycle investment approach. We invested in **Renold (RNO)** successfully as a 'self-help' story, but we recently moved the investment case from 'recovery' to 'growth' – adding to our position along the way – as margins have improved from sub-7% to 12% over the last few years driving a significant improvement in profitability.

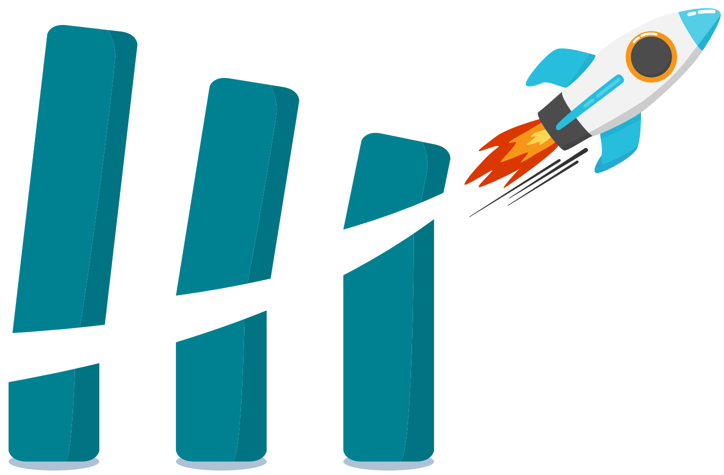
'While we still see scope for further margin improvement, in line with company guidance for mid-teens (percent), the company is now executing an inorganic buy-and-build strategy where it can both acquire cheaply and deliver attractive revenue and cost synergies, and we expect this to be the key driver of shareholder wealth creation going forwards.'

Disclaimer: The editor of this story (Ian Conway) owns shares in British American Tobacco

By **Ian Conway** Deputy Editor

The investment trusts which left their rivals in the shade in 2023

Some names have really stood out in their respective sectors



It has been a difficult year for investment trusts as a whole. Discounts have widened across various sectors and there have been a series of failed continuation votes and mergers. Yet some trusts have still done extremely well – relative both to the wider market and their peer group. In this article we shine a light on the biggest outperformers in some of the Association of Investment Companies' most widely followed equity-facing sectors.

GLOBAL

The Global sub-sector is such a mishmash of investing styles and risk tolerances that you might not be comparing apples with apples when ranking trust versus trust. We all know that high inflation and interest rates have eaten into returns, while on the flip side, exposure to the year's biggest trends – AI for example – to a greater or lesser degree has massively tilted performance.

Take this year's top performer, **Manchester & London (MNL)**. A relatively small trust with around £240 million of assets, its heavy focus on large cap technology stocks has paid off brilliantly for shareholders this year as markets began peering into a future where rates start coming down, supporting the risk-on trade, which typically plays well for tech.

Capturing the AI tailwinds with tech giant **Microsoft (MSFT:NASDAQ)** and chip designer

Selected AIC Global trusts ranked by performance

Trust	12-month share price total return (%)
Manchester & London	58.9%
Alliance Trust	17.8%
AVI Global Trust	15.0%
Brunner Investment Trust	14.9%
Witan Investment Trust	9.0%
F&C Investment Trust	7.0%
Monks Investment Trust	5.6%
Mid Wynd International	4.5%
Scottish Mortgage	1.3%
Lindsell Train	-10.7%

Table: Shares magazine • Source: Association of Investment Companies, data to 14 December 2023

Nvidia (NVDA:NASDAQ), its number one and two portfolio positions, the managers may now be left with a diversification conundrum to solve. The tech pair's soaring success in 2023 means they accounted for a staggering 52.4% of the portfolio at the end of November, which may be a little too focused for many investors.

Compare that to **Alliance Trust (ATST)**, this year's second best performing Global trust. It has a far more cautious investing reputation and this is evidenced in its own portfolio. Yes, Microsoft is also its largest position, and Nvidia is in the top 10, yet combine to represent just 6.3% of assets, a very different risk profile for shareholders. [SF]

GLOBAL EQUITY INCOME

Despite stubbornly high inflation, global equity funds able to diversify dividend income sources by geography faced competition from rising bond yields and higher interest rates on cash, yet winning strategies continued to win fans.

Selected AIC Global Equity Income trusts ranked by performance

Trust	12-month share price total return (%)
Invesco Select Trust - Global Equity Income shares	20.6%
JPMorgan Global Growth & Income	20.1%
Scottish American	5.4%
Murray International	−0.4%
STS Global Income & Growth Trust	−1.1%

Table: Shares magazine • Source: Association of Investment Companies, data to 14 December 2023

The second-best performing trust in the Global Equity Income sector was **JPMorgan Global Growth & Income (JGGI)**. The sector's biggest trust by assets, whose scale has been boosted by relatively recent mergers with Scottish Investment Trust and JPMorgan Elect, 'JGGI' is a popular best ideas portfolio targeting capital growth and an attractive dividend yield, thereby providing investors with the best of both worlds. Its strategy of investing in structural winners, among them Microsoft, **Amazon (AMZN:NASDAQ)** and Nvidia, with a portfolio balanced between defensive and quality stocks, allied to quarterly dividends, underpinned its popularity with investors in 2023.

Also generating positive returns were **Invesco Select Trust – Global Equity Income (IVPG)** and the Baillie Gifford-managed inflation-beater **Scottish American (SAIN)**. Among the sector's other funds, **Murray International (MYI)** and **STS Global Income & Growth (STS)** delivered negative share price total returns over the period. [JC]

NORTH AMERICA

The US has been one of the best performing regions in 2023 but not owning big technology companies has made a big difference to returns this year.

Managers not owning the so-called 'Magnificent Seven' have struggled to keep pace

Selected AIC North America trusts ranked by performance

Trust	12-month share price total return (%)
JPMorgan American	20.4%
Baillie Gifford US Growth	7.5%
Canadian General Investments	4.3%
BlackRock Sustainable American Income	−2.8%
Middlefield Canadian Income Trust	−6.5%
North American Income Trust	−6.9%

Table: Shares magazine • Source: Association of Investment Companies, data to 14 December 2023

with the benchmark S&P 500 index. In general, investment trusts have seen a widening of their discounts to NAV (net asset value).

These two characteristics have defined performance for US focused managers with four of the seven listed trusts registering negative returns.

Top of the US trust table is **JPMorgan American Investment Trust (JAM)** which has delivered a 21% return in net asset value and 20% increase in total price return reflecting the premium to NAV moving to a slight discount.

The trust's top holdings comprise six of the Magnificent Seven including Microsoft, **Apple (APPL:NASDAQ)**, **Alphabet (GOOG:NASDAQ)**, Nvidia and **Meta Platforms (META:NASDAQ)**.

At the other end of the spectrum the **North American Income Trust (NAIT)** has delivered a negative total share price return of 6.9%.

Perhaps not surprisingly none of the magnificent seven appear in the top holdings. Instead, oil services and technology company **Baker Hughes (BKR:NASDAQ)** and insurer **MetLife (MET:NYSE)** are the two top positions. [MG]

There is a clear stand out in the AIC Europe sector. With a share price total return of 21.7% this year, **Henderson European Focus Trust (HEFT)** hasn't just beaten its benchmark – which gained around 15% – but has beaten the rest of the field and stretched its three-year record of outperformance (which now stands at 68% against 55% for the sector).

Selected AIC Europe trusts ranked by performance

Trust	12-month share price total return (%)
Henderson European Focus Trust	21.7%
European Opportunities Trust	18.1%
JPMorgan European Growth & Income	17.4%
BlackRock Greater Europe	15.8%
Henderson EuroTrust	14.1%
Fidelity European Trust	10.8%
Baillie Gifford European Growth	5.1%

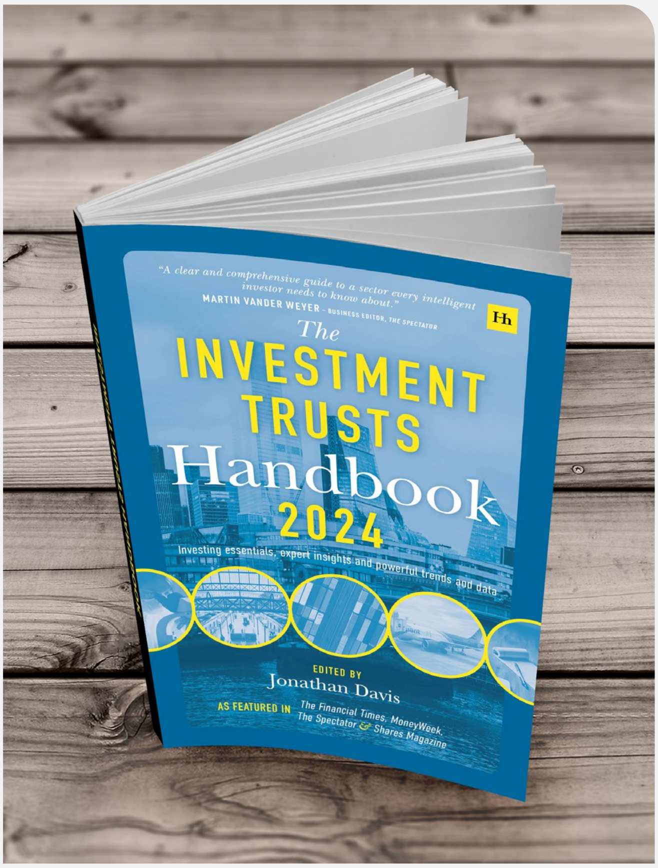
Table: Shares magazine • Source: Association of Investment Companies, data to 14 December 2023

Among the trust's best performers were 'capex supercycle winners', manager Tom O'Hara tells *Shares*, including chip equipment manufacturing firms **ASM International (ASM:AMS)** and **BE Semiconductor (BESI:AMS)** and building materials firms **CRH (CRH)** and **Holcim (HOLN:SWX)**.

O'Hara also credits 'category killer' **Novo Nordisk (NOVO-B:CPH)**, which is in a high-growth phase with its diabetes and obesity drug franchise, and German sportswear company **Adidas (ADS:ETR)** which is a turnaround story under its new chief executive.

It wasn't all plain sailing however, as the trust 'navigated banks badly', buying just before Silicon Valley Bank imploded in the US, which caused a run on the sector, and its bet on brewer **AB InBev (ABI:EBR)** suffered after the company gaffed on social media, although O'Hara still rates the stock for next year.

He also expects his capex supercycle plays to continue working in 2024 and for larger companies with strong balance sheets in general to win at the expense of smaller players. [IC]



BONUS GIVEAWAY: FREE INVESTMENT TRUST E-BOOK FOR ALL READERS

Shares readers can download a digital copy of The Investment Trusts Handbook 2024 for FREE from Harriman House's website.

The e-book contains comment from analysts, fund managers and investment writers about investment trusts and contains plenty of data and analysis.

There are sections covering individual trusts, how to analyse the universe as a whole and the names which performed the best in 2023.

UK EQUITY INCOME

While the broader UK indices have struggled to make ground in 2023 the income sector has outperformed as value investing has come back into vogue reflecting the higher interest

Selected AIC UK Equity Income trusts ranked by performance

Trust	12-month share price total return (%)
Temple Bar Investment Trust	12.6%
Edinburgh Investment Trust	11.7%
Law Debenture	7.1%
Murray Income Trust	7.0%
Lowland Investment Company	5.6%
City of London Investment Trust	4.6%
Merchants Trust	3.4%
Finsbury Growth & Income	2.1%
Shires Income	−10.6%

Table: Shares magazine • Source: Association of Investment Companies, data to 14 December 2023

rate backdrop.

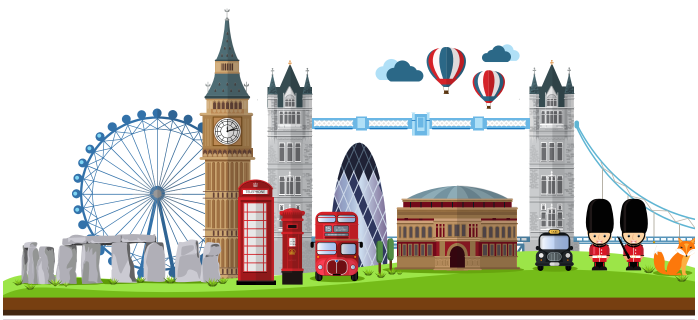
Occupying the top spots on the performance ladder and the only two trusts to deliver double-digit price total returns are Liontrust managed **Edinburgh Investment Trust (EDIN)** and Redwheel managed **Temple Bar (TMPL)**.

The performance of the former continues the strong track record delivered by fund managers James de Uphaugh and James Field since taking over management of the fund in March 2020.

NAV total returns of 73.3% are comfortably ahead of the FTSE All-Share return of 49.5%. Both managers have announced their retirement, but Field will continue managing the fund until February 2024.

Another seasoned Liontrust fund manager Imran Sattar will then assume the role of lead manager. He is expected to maintain the focus on investing in good quality companies with dividend growth potential.

Temple Bar just edges out Edinburgh Investment Trust. It is managed by value investors Nick Purves and Ian Lance who have over 50 years of investment experience and a working partnership spanning more than 13 years. [MG]



UK ALL COMPANIES

Aurora Investment Trust (ARR) has put in a robust performance this year, well ahead of its benchmark.

This showing reflects strong stock selection from manager Gary Channon who takes his inspiration from the teachings of Warren Buffett, Benjamin Graham, and Philip Fisher.

In addition, the trust benefited from November's offer from Mars for the premium chocolatier **Hotel Chocolat (HOTC)** which saw the stock surge 171%.

Aurora has a 7.2% holding in the company. Channon said: 'The history of this holding is a good example of our process, as we had followed the company for many years prior to its listing, continued that work and took the opportunity to invest when it stumbled.

Selected AIC UK All Companies trusts ranked by performance

Trust	12-month share price total return (%)
Aurora Investment Trust	19.9%
Mercantile Investment Trust	14.3%
JPMorgan MidCap	9.9%
Schroder UK Mid Cap Fund	8.0%
Artemis Alpha Trust	4.9%
Fidelity Special Values	4.4%
Baillie Gifford UK Growth	−1.3%
Henderson Opportunities Trust	−6.4%

Table: Shares magazine • Source: Association of Investment Companies, data to 14 December 2023

'Other individual price rises of note included our low-cost airlines, which were especially strong, posting [over] 20% gains. **Barratt Developments (BDEV)** rose 24%, with **Bellway (BWY)** also a strong performer.'

Another winner in this sector was **Mercantile Investment Trust (MRC)** which was lifted by its holdings in the software and services sector.

In contrast **Henderson Opportunities Trust (HOT)** was the worst performer falling 6.4%.

The trust was largely dragged down by exposure to UK smaller companies and AIM-listed stocks. [SG]

By **The Shares Team**

Sebastian has a disciplined approach to meeting his goal of early retirement

Project manager is in his late 30s and also wants to be mortgage free

For someone who only started investing around a decade ago, Sebastian has not only built up a considerable 'pot' but has also accumulated a wealth of knowledge from his experiences.

The project manager now has a clear vision of how to invest to realise his twin aims of being mortgage-free and enjoying an early retirement.

START EARLY, THINK LONG-TERM

Sebastian may only be in his late 30s, but he already has plenty of experience of the highs and lows of investing and crucially he can see where he made mistakes early on.

'My first experience of investing came when I met a financial adviser back in 2008, when I was just two years out of university and had no prior knowledge of the subject having never studied finance.'

This was also when he made his first mistake, which was 'not listening to the advice to invest regularly, even if it's only in small amounts'.

'Although I was working, my rationale was I had too little money, but if I'm honest I didn't have the mindset to be able to manage my budget and invest.'

'I could easily have set aside £100 to £200 every month, but I didn't, and I regret not starting

Sebastian's holdings

Asia-Pacific and Japanese Equities
Baillie Gifford Pacific Fund (0606334)
Fidelity Japan Trust (FJV)
iShares MSCI Pacific ex-Japan ETF (EPP)
Legal & General Japan Index Fund (B0CNGW0)
Pacific Horizon Investment Trust (PHI)
Emerging Market Equities
BNY Mellon Global Emerging Markets (BVRZK93)
JPMorgan Emerging Markets Investment Trust (JMG)
MercadoLibre (MELI:NASDAQ)
Bond and Money-Market Funds
Fidelity Cash Fund (BD1RHT8)
iShares ESG Overseas Corporate Bond Index Fund (BNB74B9)
Legal & General Cash Trust (B0CNHB6)
Vanguard Global Bond Index Fund (B50W2R1)
Vanguard Global Corporate Bond Index Fund (BDFB5M5)

All funds are accumulating units, which reinvest dividends

Table: Shares magazine • Source: Investor's own records younger when I had the chance,' he adds.

He opened his first investment account in 2013 and paid in £500 per month, building up a reasonable sum quite quickly, but it wasn't long before he made his second mistake.

'Although I understood that investing is a long-term game needing patience and discipline, naivety got immediate better of me, and I was soon drawn to the excitement of buying speculative assets in the hope of making large short-term gains.'

Based on recommendations in articles and online forums, he bought shares in an oil drilling company which by all accounts was about to make it big.

'Unsurprisingly, that didn't happen, and worse still I took a substantial loss. The lesson from that experience was to be patient and not try to speculate.'

WHY IT PAYS TO SPREAD YOUR RISK

Over the last decade, Sebastian has come to appreciate his own level of risk tolerance and how important it is to have broad spread of holdings, and he believes both factors have made him a better investor.

'Working out how much risk is right for you takes time, and in bull markets when everything is going up you tend not to worry about it, but when markets turn, that's when you really come to appreciate what your level of risk appetite should be.'

As soon as the market started to rally post-Covid he jumped into higher-risk stocks and funds and was happy to ride the market higher, but when the rally went into reverse in 2022 'high-risk assets inevitably collapsed, and it was only then that I realised my portfolio's risk profile was too high for my tolerance'.

Spreading his bets geographically and by asset class was another key lesson, not so much to minimise losses but to capture higher returns in markets other than just UK stocks.

'I had far too much exposure to the UK and not enough to the US. I've held the **Legal & General US Index Fund (B0CNGT7)** since 2015, and it's probably been my stand-out investment, but for a long time the talk was that the US market was overvalued.

'In fact, I should have owned lots *more* US assets – just because people say a market is overvalued, that doesn't mean it can't continue to deliver superior returns.'

It hasn't all been plain sailing – Sebastian was one of many unfortunate investors in the Woodford Equity Income Fund, which he bought, no doubt like many others, 'on the back of stellar reviews and Woodford's great track record'.

When the fund was eventually liquidated, most of the money he had invested had gone which made him even more determined to spread his

SEBASTIAN'S GOLDEN RULES

- Invest as much as you can on a regular basis, starting early;
- Avoid speculating and invest consistently through ups and downs;
- Invest globally to benefit from greater returns;
- Even within countries or regions, spread your wealth;
- Understand your own level of risk and stick with it;
- Buy and hold, and rebalance roughly once a year.

bets 'across lots of different funds'.

He also hasn't had a lot of luck with individual stocks, so for the main part he tends to steer clear: 'I'm not comfortable you can ever know enough about a company to say with conviction they will be successful in the future. Simply put, I think any company can fail, whereas I don't have to worry about that if I'm buying an ETF or a fund.'

USING ISAS FOR FLEXIBILITY

Sebastian is very much a hands-on investor: 'I like to custom-build and manage my own portfolio, because I would rather have control of something as important as my pension, but I also like to learn, and at the end of the day I enjoy it.'

He wants to own his own home outright and be able to retire early, but he deliberately hasn't set a fixed date for either.

'I can't predict exactly when I'll hit my targets, although obviously it would be nice it was as early as possible, but I'm also aware my life might change if I settle down and start a family, so flexibility is really important to me'.

'The way I see it, all of my pots – ISAs, fund and share accounts and SIPPs – will eventually combine to provide a healthy retirement income stream in the future, but the crucial difference is that my ISA gives me an opportunity to realise this quicker than my SIPP because there is no minimum age to hit before withdrawal. Therefore, I have my highest hopes riding on my investment ISAs.'

DISCLAIMER: Please note, we do not provide financial advice in case study articles, and we are unable to comment on the suitability of the subject's investments. Individuals who are unsure about the suitability of investments should consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term. Tax treatment depends on your individual circumstances and rules may change. ISA and pension rules apply.

By **Ian Conway** Deputy Editor

Kepler | Trust Intelligence

Outpacing the herd

RKW continues to unlock value for investors in the small-cap sector, with subdued valuations attracting bargain-hunters...

Investing guru Jim Slater's oft-repeated mantra that "elephants don't gallop" captures the benefit of investing in small-caps better than most, alluding to their superior growth potential relative to larger-cap peers. However, small-cap investors may feel somewhat flattened by the stampede of the mega-cap herd of late, with the 'magnificent seven' bouncing back from their nadir last year to deliver some stellar gains in 2023.

In contrast, it's fair to say that UK small-caps, in particular, have borne the brunt of a challenging macroeconomic environment, leaving the sector trading at a significant discount to its long-term average. The MSCI UK Small Cap Index is currently trading on a forward price-earnings valuation of 11.0x, significantly below the 16.8x of the MSCI World Index (as at 30/11/2023).

Despite depressed valuations, small-cap aficionados highlight the outperformance of small-caps relative to large-caps over time, particularly after a cyclical low. Our recent research indicates that, since 1955, the Numis Smaller Companies Index has averaged a return of 84% in the three subsequent years following a negative calendar year. While it's hard to call the bottom of the market, an improving outlook for the UK economy over the next few months could prove the turning point for the fortunes of UK small-caps.

Sustained takeover activity

M&A activity is a good litmus test of attractive company valuations and demand for UK companies has increased over the last three years, particularly from overseas buyers. UK small-cap specialist **Rockwood Strategic (RKW)** actively considers a company's strategic and financial appeal to potential acquirers as part of its initial investment thesis. This has proven a successful approach, with takeover bids for Smoove, OnTheMarket, Finsbury Foods and The City Pub Group in the last four months alone.

Manager Richard Staveley holds a concentrated portfolio of around 20 companies, meaning that acquisition premiums can provide a significant boost to returns. The takeover of property portal OnTheMarket was at a 56% premium, generating an impressive (unrealised) IRR for Rockwood of 107% (as at 17/11/2023). The City Pub Group and Finsbury Foods acquisitions are also forecast to deliver IRRs of 52% and 33% respectively on completion.

These acquisitions have contributed to RKW topping the small-cap investment trust sector for one, three and five-year share price returns, delivering an impressive one-year return of 16.4%, compared to a rise of 1.2% for the sector (as at 17/12/2023).

Taking an active approach

Another benefit of RKW's concentrated portfolio is the ability to spend more time on portfolio companies. RKW looks to take a minimum stake of 5% to influence strategy and unlock shareholder value. In contrast to other small-cap trusts, this allows Richard to target the smaller end of the small-cap spectrum, with a sweet spot of sub-£100m where there is limited analyst coverage but a large investable universe.

Another differentiating factor is the trust's value bias and focus on recovery situations, or as Richard puts it, the potential to 'move off the naughty step'. One such recovery story is education solutions provider RM plc, whose share price slumped to 26 pence last year. RKW took its first stake in the company at this point and has subsequently overseen senior management and operational changes. Although the share price has dipped after hitting more than 90 pence earlier this year, Richard believes the company could be worth as much as 180 pence per share.

Resilience in challenging times

Despite the difficult macroeconomic backdrop, the turnaround potential of Rockwood's portfolio companies is more about self-improvement than a broader cyclical recovery. As a result, the trust has delivered positive share price returns in every calendar year since 2017 despite negative returns in the Morningstar UK Small Cap Index in three of these six years.

RKW is well-positioned to benefit from a recovery in small-cap valuations if macroeconomic headwinds start to ease next year and, without forgetting the risks associated with investing in small businesses, investors who are bullish on the outlook for smaller companies may see this as an attractive entry point.

Click **here** to read our latest research on Rockwood Strategic

Russ Mould: Insightful commentary on market issues

Five big themes to watch in 2024

Discover what could determine the destiny of the markets in the year ahead

No investor *knows* what is coming next, and whether inflation, stagflation or deflation will result from the combination of the interest rate pauses, quantitative tightening, pay increases, rising debt and elevated geopolitical tensions.

Basing investment strategies on just one scenario is probably not going to be good idea and portfolio construction may need to address range of outcomes, especially as we have elections to be fought (and electorates to be influenced) on both sides of the Atlantic in the next 12 months.

Carefully following five major investment themes may help investors sense which way the wind is blowing so they can try to obtain the best possible risk-adjusted returns for their portfolios, especially once they take the all-important issue of valuation into account.

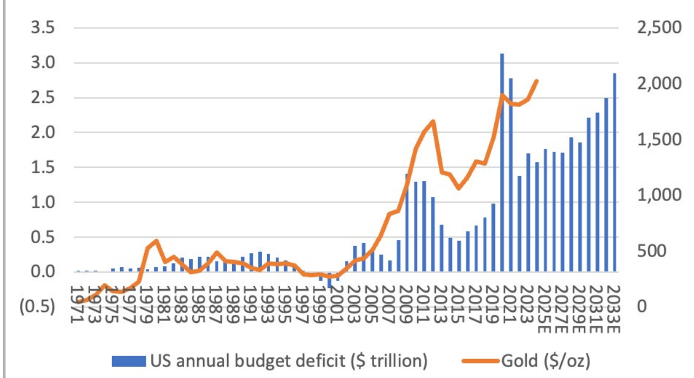
DEBT

Debt-to-GDP is one barometer to watch, but according to the Bank of International Settlements it should be studied in conjunction with the percentage of tax income that is used to meet the interest costs. When that latter figure got to around 20% in 2007 (and was still rising), the financial markets buckled and nearly took the global economy with them.

China and France are the two countries in this invidious position now, but the US is catching up fast, as the Biden administration spends like fury on the CHIPS and Inflation Reduction Acts.

America's latest annual fiscal deficit was $1.7 trillion, in the year to September 2023, the third-worst number on record, and the annualised interest bill has hit $1 trillion, or 20% of tax income. America cannot afford to keep interest rates where they are for long and there is a risk that the Fed has to cut rates to keep the burden manageable and take risks with inflation. This may be why gold (and bitcoin, for that matter) are on a roll. Markets are pricing in five rate cuts from the Fed in 2024, but because inflation is cooling and growth benign, not because debt is a problem and interest costs are squeezing economic growth.

America keeps adding to its deficit at near-record pace

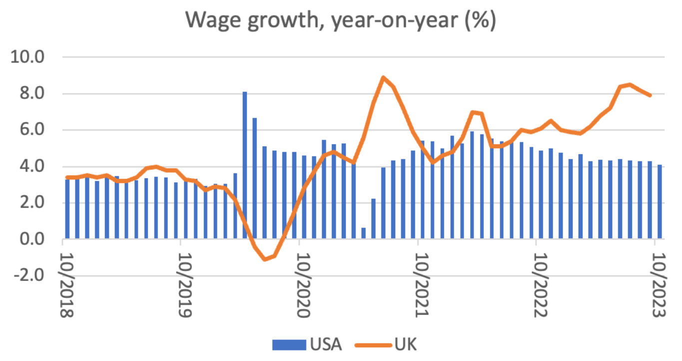


Source: FRED- St. Louis Federal Reserve database, Congressional Budget Office, LSEG Datastream

WAGES

The 1970s' inflationary outburst may have been prompted by loose monetary policy in the UK (and loose fiscal policy in the US), followed by 1973's oil price shock, but a vicious circle of higher pay demands, higher prices, higher pay demands, and higher prices then developed.

Central bankers keep pleading for pay restraint



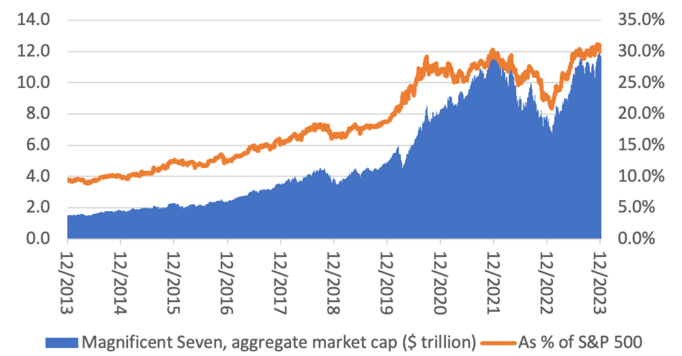
Source: FRED- St. Louis Federal Reserve database, Office for National Statistics

Financial markets may therefore cheer a modest increase in unemployment, and central bankers accept it, as higher joblessness could help to put a lid on wages and inflation and thus provide scope for rate cuts. Equally, a sharp rise in the jobless rate could signal economic trouble, or at least more than is currently factored in by consensus earnings forecasts, so policymakers have a tricky balancing act here.

THE MAGNIFICENT SEVEN

The stock markets' rally in 2023, and the return to favour of **Alphabet (GOOG:NASDAQ)**, **Amazon (AMZN:NASDAQ)**, **Apple (AAPL:NASDAQ)**, **Meta (META:NASDAQ)**, **Microsoft (MSFT:NASDAQ)**, **Nvidia (NVDA:NASDAQ)** and **Tesla (TSLA:NASDAQ)**, suggests equities are pricing in an economic soft landing and a return to the low-growth, low-inflation and low-interest-rate environment of the 2010s that did so much to help the performance of long-duration assets like bonds and growth sectors, such as technology.

Magnificent Seven's market cap represents 30% of the S&P 500



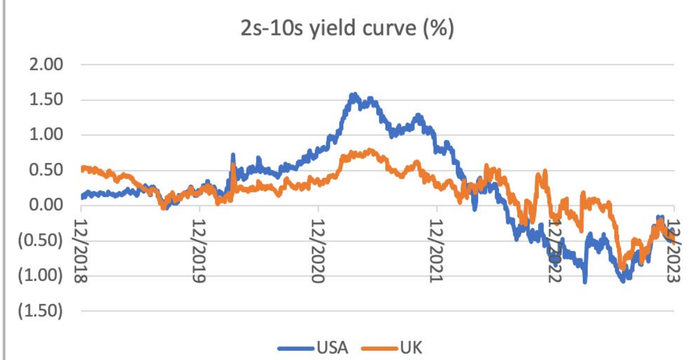
Source: LSEG Datastream data

They might be right. But if they are wrong – and those five Fed rate cuts do not appear on schedule in 2024 – then the Magnificent Seven's aggregate $11.8 trillion market cap could look exposed, for all of their dominant positions in their respective industries. Their share price and profit wobbles of 2022 showed they are not entirely immune to the economic cycle, so an unexpected recession could be one challenge. Sustained inflation could be another if it keeps rates higher than expected and boosts nominal growth from downtrodden cyclicals and value stocks. Again, only a perfect middle path may do.

THE YIELD CURVE

Bond yields are falling again, but the yield curve remains inverted, whereby 10-year yields on government bonds are lower than those on the two-year in the UK and US. This is seen as a warning that a recession is on the way, as it means bond markets are factoring in interest rate cuts (the 10-year would usually have to offer a higher yield to compensate holders for the extra risk scope for things to go wrong over the longer lifespan of the debt).

The yield curve is still inverted on both sides of the Atlantic



Source: LSEG Datastream data

Russ Mould: Insightful commentary on market issues

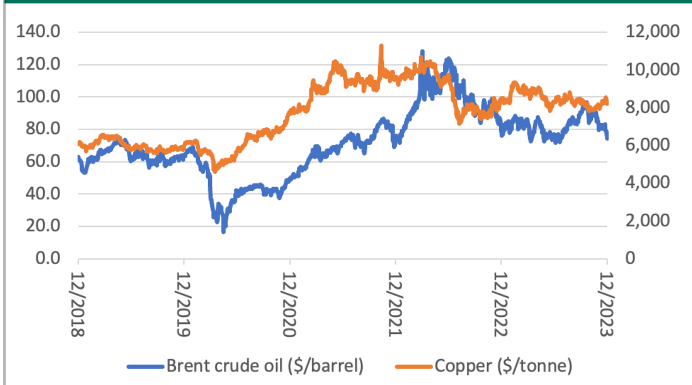
It is not an infallible signal, but examples of soft economic landings are hard to find and stock markets are currently doing their best to ignore the bond market's quite different message.

OIL AND COPPER

If equities are pricing in a soft landing and fixed income markets a harder one, commodity traders are even more confused. Oil's renewed weakness may speak of recession. Copper, a reliable indicator of global economic health due to its many uses, is doing nothing. Gold looks to be fretting about debts and stagflation.

The messages from stocks, bonds and raw materials are therefore contradictory. But such are the globe's debts that it seems likely central banks (and politicians) would rather play fast and loose and risk inflation or stagflation than recession and deflation. The experiences of 2007-09 and 2020-21 would suggest as much, anyway.

Oil and copper may be flagging economic weakness



Source: LSEG Datastream data

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

The FTSE 100 hits 40: can it shake off a mid-life crisis?

Examining how returns from the index stack up, how it has changed and what the future holds

On 3 January 2024, the FTSE 100 celebrates its 40th anniversary. And to borrow a cliché – it seems an opportune moment to ask, will life for the index truly begin at 40 or will it be plunged into a mid-life crisis?

The index was launched as a replacement for the FT-30, which as its name suggests was a grouping of 30 businesses drawn principally from the industrial and commercial sectors. The FT-30 was price-weighted, but the FTSE 100 was and continues to be weighted by market value with its list of constituents reshuffled on a quarterly basis.

Before considering its immediate future, it's worth examining how the UK's flagship stock index has changed since its inception as well as how its historic returns compare over term against global counterparts and inflation.

A HISTORY LESSON

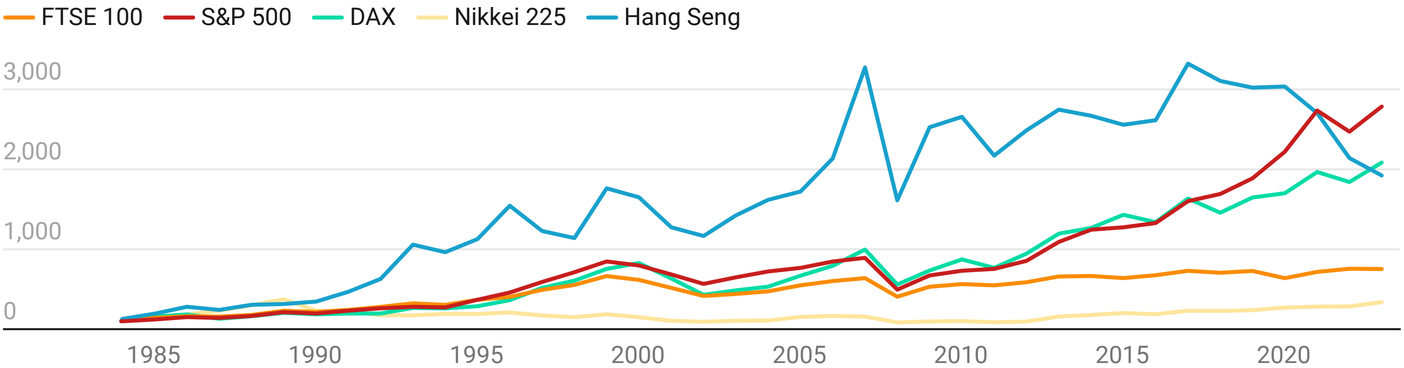
From a starting point of 1000, the index has advanced to 7,666 at the time of writing – a capital return of 666% or a compound annual return of 5.2%, excluding dividends. This compares with a compound annual growth rate of less than 4% for the retail price index over the same period.

Less positively, the index has struggled to keep pace with most global counterparts, apart from Japan's Nikkei 225. The latter market has only recently revived after a long period of Japanese economic and market stagnation.

Even more concerningly, the FTSE 100 has made very little progress since peaking at 6,930 at the height of the dotcom boom on 31 December 1999 (and ahead of its imminent bust). Somewhat ironically, it's the

FTSE 100 vs other global indices

Rebased to 100



DAX index includes dividends

Chart: Shares magazine • Source: LSEG

Editor's View: Tom Sieber

Fate of original FTSE 100 constituents

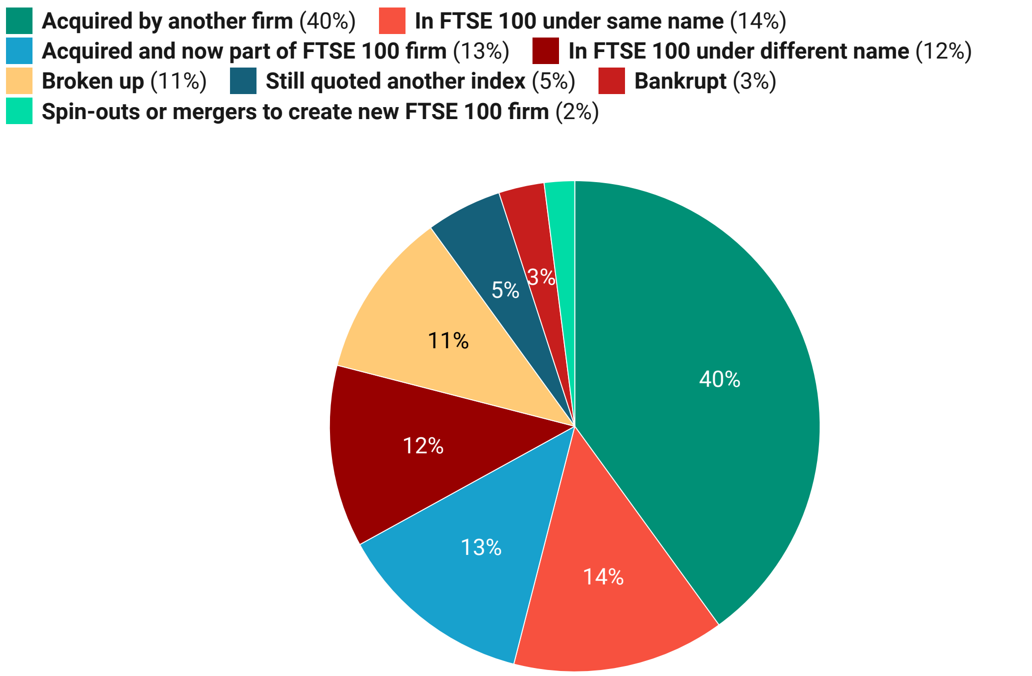


Chart: Shares magazine • Source: AJ Bell, company accounts, Regulatory News Service, London Stock Exchange

lack of weighting towards the technology sector which has put it at a disadvantage to the US market in particular ever since. Through the course of the last decade, the impact of the Brexit vote and a subsequent outflow of foreign capital has kept a firm lid on the returns from the index.

Twenty-six of the FTSE 100's founder members are still there today. Fourteen of those even have the same name, although **Whitbread (WTB)** is a very different animal than it was then. The other 12 original members are also ever-presents. There may have been some name changes and shifts in structure thanks to deal-making or strategy rejigs, but they would be broadly recognisable if someone from 1984 were suddenly transported to the early 2020s. A further 14 names were acquired by current FTSE 100 constituents and five are still quoted on the London Stock Exchange but have slipped down the market cap ranks and are now part of a subordinate index.

PROTECTIONS PAY OFF

It is at least some testament to the protections afforded investors in UK Main Market companies – in areas like corporate governance and transparency

In FTSE 100, different name

	New name
BAT Industries	British American Tobacco
British Aerospace	BAE Systems
British Petroleum	BP
Commercial Union	Aviva
Glaxo	GSK
Imperial	Imperial Brands
Prudential Assurance	Prudential / M&G
Reckitt & Colman	Reckitt Benckiser
Reed International	RELX
Rio Tinto-Zinc	Rio Tinto
Royal Bank of Scotland	NatWest
Shell Transport & Trading	Shell

Table: Shares magazine • Source: AJ Bell, Company accounts, Regulatory News Service, London Stock Exchange

– that just three names from the 100 which made up the index at the outset have since gone bust.

This includes financial services and transportation firm British and Commonwealth Shipping and electrical engineering outfit Ferranti, which fell victim to poorly-executed acquisitions and, in the latter case, allegations of fraud.

The third casualty, DIY retailer MFI, was subject to a management buyout and left the market in the late 1980s before becoming a victim of the 2007/8 financial crisis as a privately-owned business.

Some would claim the index has failed to move with the times as it continues to be dominated by so-called 'old world' economy businesses in sectors like resources and the financial industry.

Arguably, the loss of high-profile names like **BHP (BHP)**, which shifted its primary listing to Australia, and **CRH (CRH)** and **Ferguson (FERG)** which opted to shift their main quote to the US, together with the decision by chip designer and former UK market darling **ARM (ARM:NASDAQ)** to list in New York in September 2023, have also dealt a blow to London's prestige.

In 2000, UK-listed stocks accounted for 11% of the MSCI World index – as of 30 November 2023, the proportion is less than 4%.

In FTSE 100, same name
Associated British Foods
Barclays
Barratt Development
Land Securities
Legal & General
Lloyds Bank
Marks & Spencer
Pearson
Sainsbury
Smith & Nephew
Standard Chartered
Tesco
Unilever
Whitbread

Still quoted in London but in a different index
Edinburgh Investment Trust
Hammerson
Harrisons & Crosfield (Elementis)
Johnson Matthey
Rank

Table: Shares magazine • Source: AJ Bell, Company accounts, Regulatory News Service, London Stock Exchange

To offer some perspective, this is still more than the likes of France and Germany and behind only Japan if you exclude the US (which now dominates with a record 70% share).

WHAT DOES THE FUTURE LOOK LIKE?

If the FTSE 100 isn't to drop further down the global rankings it has to be hoped planned changes to the listing rules can inject some fresh life into London as a listing venue.

However, what has to be avoided at all costs is an unthinking rush to attract as many companies as possible by compromising on listing requirements like the provision of a detailed financial track record and decent liquidity for shareholders. That would be the equivalent of a 40-year-old accountant going out and buying a motorbike and leathers.

Boosting the number of listed companies at the expense of quality and investor protection would do nothing whatsoever for the UK market's credibility and would surely be counterproductive in the long run.

The best and worst emerging markets in 2023

We run the rule over stocks in developing economies over the last 12 months

Overall, it has been a mixed year for emerging markets – with the heavy weighting for a lacklustre Chinese market seeing the MSCI Emerging Markets index creeping just 1.8% higher as we write against a 17.4% advance for the MSCI World developed markets index (both in dollar terms).

However, within that overall picture some markets have performed extremely well. Egypt's stock market hit record highs in 2023. Though like fellow strong performer Turkey, much of this can be attributed to investors looking to hedge themselves against devalued currencies and rising inflation.

Turkey's near neighbour Greece has done well as foreign investors have returned to a market they shunned in the wake of its default more than a decade ago. This has been supported by an election result which delivered political stability and fiscal and bureaucratic reforms.

Eastern Europe has been a bright spot, while among larger markets India and South Korea have performed strongly. The National Exchange of India recently overtaking Hong Kong to become the world's seventh largest stock market. It has been a beneficiary of increased market liquidity and greater participation among domestic investors.

China is the standout disappointment as its recovery from Covid has flattered to deceive and problems in its property sector have led to market jitters. The performance of markets in the Middle East has been affected by volatile energy prices and conflict in the region.

This outlook is part of a series being sponsored by Templeton Emerging Markets Investment Trust. For more information on the trust, visit **www.temit.co.uk**

Selected best and worst performing emerging markets in 2023

Market	2023 performance (%)
MSCI Egypt	79.2%
MSCI Turkey	48.0%
MSCI Greece	36.9%
MSCI Hungary	28.1%
MSCI Poland	27.9%
MSCI Korea	16.7%
MSCI India	16.3%
MSCI Colombia	−22.7%
MSCI Thailand	−16.3%
MSCI China	−15.0%
MSCI Kuwait	−11.5%
MSCI Qatar	−10.6%
MSCI UAE	−6.8%

Table: Shares magazine • Source: LSEG, data to 11 December 2023
Note: in local currency

Emerging markets: China property fixes and dollar weakness

Three things the Franklin Templeton emerging markets team are thinking about right now

1. Earnings: Consensus forecasts call for 18% earnings growth for the MSCI Emerging Markets Index in 2024, which compares to a forecast 9% contraction in 2023. Expectations for next year have held steady since in recent months. China, Taiwan and Mexico have driven forecasts lower for this year. Looking ahead, a recovery in South Korea, Taiwan and China is expected to drive the rebound in 2024, with the technology sector the main driver.

2. China's property measures target demand: Tier-1 cities in China are lowering mortgage downpayments for second homes to 40% from 70-80%. Shenzhen is the second city after Guangzhou to implement the change. This follows similar cuts to downpayments for primary homes to 30%-35% earlier this year. Policies on home value bands, which also impact downpayments, have been raised in tier-1 cities. The changes are designed to increase housing affordability and demand.

3. US dollar weakness: A faster-than-expected drop in inflation and dovish comments on interest rates by US Federal Reserve governor Christopher Waller pushed bond yields and the dollar lower in November. The greenback has weakened 3.4% since its October high. A weaker US dollar creates easier financial conditions in emerging markets as central banks do not need to use interest rates as a tool to support the local currency. A declining greenback also reduces the cost of foreign currency debt in local currency terms. This eases the financing burden on companies in emerging markets (EMs).

TEMPLETON EMERGING MARKETS INVESTMENT TRUST (TEMIT)

Porfolio Managers

Chetan Sehgal
Singapore

Andrew Ness
Edinburgh

TEMIT is the UK's largest and oldest emerging markets investment trust seeking long-term capital appreciation.

Active managers struggle to keep pace with trackers again

Latest *Manager versus Machine* report sees passive funds come out on top

It's been another poor year for active managers across the seven key equity sectors monitored by AJ Bell's *Manager versus Machine* report. Overall, just 36% of active managers outperformed the average passive alternative in 2023. One year is too short a time frame over which to judge the success of active management, but things don't look better if you zoom out a bit either. Over 10 years, just 32% of active managers have beaten the passive machines. It's little wonder that many investors are plumping for trackers over active strategies. Over the last five years £9 billion has been withdrawn from active funds by UK retail investors, and that compares to £75 billion going into passive funds, based on Investment Association data.

There are some mitigating factors which may help to spare some of the blushes of active managers. Much of the weak overall showing comes down to the performance of active funds in the popular global sector. Here only a quarter of active funds have managed to beat a passive alternative over the last 10 years. This is in part due to the fact that the winning stocks in the global market have generally been a clutch of large technology companies.

HARD TO KEEP UP

While active managers are of course free to invest in these stocks, and many have, actually investing more than a passive fund means taking a pretty big bet. For example, a typical global tracker fund currently holds around 5% in each of **Apple (AAPL:NASDAQ)** and **Microsoft (MSFT:NASDAQ)**. That's more than in the whole UK stock market, which currently makes up just over 4% of the MSCI World Index. Active managers may baulk at holding more than this in just one stock within a globally diversified portfolio.

Amongst UK equity funds, another crucial market, there have also been some structural trends which have dented the performance of active managers. Mid and small caps have underperformed their large cap cousins in the last two years, which has been to the detriment of active managers, who tend to hunt down the cap scale for more covert investment opportunities. Over the longer term mid and small cap exposure has been a tailwind for active managers plying their trade in UK shares, but the current climate is favouring the blue chips, for now.

It's easy to decry the skill of active managers when it transpires that under a third have beaten a passive alternative over 10 years, but we do have to take into account the market context too, as it may simply be that active managers are just on a bad run. It's also important to set appropriate expectations when looking at a wide universe of active managers. The reality is that while all active fund investors expect outperformance, it's not

Active outperformers can be hard to find

% of active funds outperforming

	2023 YTD	5 Yr	10 Yr	2022
Japan	25%	38%	47%	36%
Global	25%	21%	22%	30%
Asia Pacific Ex Japan	38%	29%	39%	12%
Europe	39%	40%	46%	43%
US	40%	23%	17%	40%
UK	44%	35%	36%	13%
Global Emerging Markets	57%	62%	44%	21%
Total	**36%**	**32%**	**32%**	**27%**

Table: Shares magazine • Source: AJ Bell and Morningstar to 30 November 2023

statistically possible for all managers to outperform. Investors therefore need to pick their battles wisely, by acknowledging that some markets have proved more difficult to beat than others, and by selecting active fund managers in whom they have a high degree of conviction. A long and successful track record suggests outperformance has been achieved by skill and not just luck, but it's still no guarantee for the future, so any active portfolio should include several managers for diversification.

Even if you favour a passive approach, there are some areas of the market which are not well served by passive vehicles, or which generally favour an active hand on the tiller, such as producing income, preserving capital or investing in small caps. Investors can of course blend both active and passive strategies as they see fit, rather than choosing just one approach for their whole portfolio. While at an aggregate level, there are questions over the benefits of active management, there are some active managers who have undoubtedly added value over a long time frame. By engaging in some judicious fund selection, investors in active funds also help to tilt the odds in their favour.

DISCLAIMER: AJ Bell owns Shares magazine. The editor (Tom Sieber) and author (Laith Khalaf) of this article own shares in AJ Bell.

By **Laith Khalaf**
AJ Bell Head of Investment Analysis

How does pension drawdown work and can I vary withdrawals?

Helping with a question about options when you reach retirement age

Please could you explain how pension drawdown works? Instead of taking 25% tax-free lump sum in one go, is it possible to take a smaller amount tax free (e.g. 4% or 5%) per year over the course of several years, thus leaving part of the tax-free amount still invested until I need it? Am I allowed to switch pension provider once I am in drawdown?

I know the current age to access a SIPP is 55 years old and this is due to increase to 57 in 2028. If I retire early, is it also possible to withdraw a larger amount of taxable cash for few years and then reduce the amount I take from my SIPP as I become eligible to claim the state pension?

David

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

Drawdown is simply a flexible way of accessing your pension pot while keeping your money invested for the long term. This allows you to build a retirement income plan to suit your needs and circumstances by tailoring your investments and withdrawals.

You can increase and decrease withdrawals in drawdown whenever you like, although you need to think carefully about the possible consequences of those decisions. In particular, you should make sure you aren't taking too much, too quickly from your fund, as this runs the risk of leaving you short of money in your later years. Making large withdrawals from your drawdown fund could also see you pay more income tax than is necessary.

You can also switch your drawdown provider easily – you'll just need to give your chosen provider a few details and they'll do all the legwork for you.

Anyone choosing to enter drawdown needs to be comfortable taking investment risk and willing and able to engage with their retirement pot on a regular basis.

The other main retirement income option is buying a guaranteed income for life, known as an 'annuity', from an insurance company. This takes investment risk off the table, provides income security and means you don't have to engage with your pension. Annuities are also inflexible and by locking into a product for life, you forgo the potential to benefit from long-term investment growth or vary your income as your circumstances change.

In addition to entering drawdown or buying an annuity, savers can take ad-hoc lump sums directly from their pension pot, with a quarter of each lump sum tax-free and the rest taxed in the same way as income. It is also possible to mix-and-match these different ways of accessing your pension.

As you mention in your question, you can access your pension from age 55 today, with that minimum access age set to rise to 57 in 2028. You also correctly identify that a quarter of your pension is usually available tax-free, with the maximum lifetime tax-free cash someone can take over their lifetime capped at £268,275 in most circumstances.

To access your tax-free cash, you need to choose a retirement income route. With a SIPP, it is possible to do this gradually – you don't have to take all your tax-free cash immediately.

For example, someone with a £100,000 pension might want to access £5,000 of tax-free cash. They could do this by putting £15,000 into drawdown (there is no obligation to switch investments or take the money as income at this point), which would allow £5,000 (25% of the entire £20,000) to be withdrawn tax-free. The remaining £80,000, including the associated 25% tax-free cash entitlement (£20,000), would remain untouched, meaning the remaining tax-free cash entitlement has the potential to benefit from investment growth, along with the rest of the fund.

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.

WATCH RECENT PRESENTATIONS

India Capital Growth Fund (IGC)
Gaurav Narain, Co-Head of Equity

India Capital Growth Fund (ICGF) is a closed ended Investment Company, listed on the main board of the London Stock Exchange. It follows a bottom-up long-term investment approach focused on India's small and midcap market with a concentrated portfolio of around 30 holdings. ICGF is managed by Ocean Dial, a single country focused asset management company investing directly into India.

Trident Royalties (TRR)
Adam Davidson, CEO

Trident Royalties (TRR) plan to rapidly establish itself as a diversified mining royalty and streaming company, providing investors with exposure to base and precious metals, bulk materials (excluding thermal coal) and battery metals.

Schroder Japan Trust (SJG)
Masaki Taketsume, Portfolio Manager

Schroder Japan Trust (SJG) aims to achieve long-term capital growth by investing in a diversified portfolio of 50-60 of the best quality but undervalued companies in Japan.

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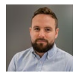

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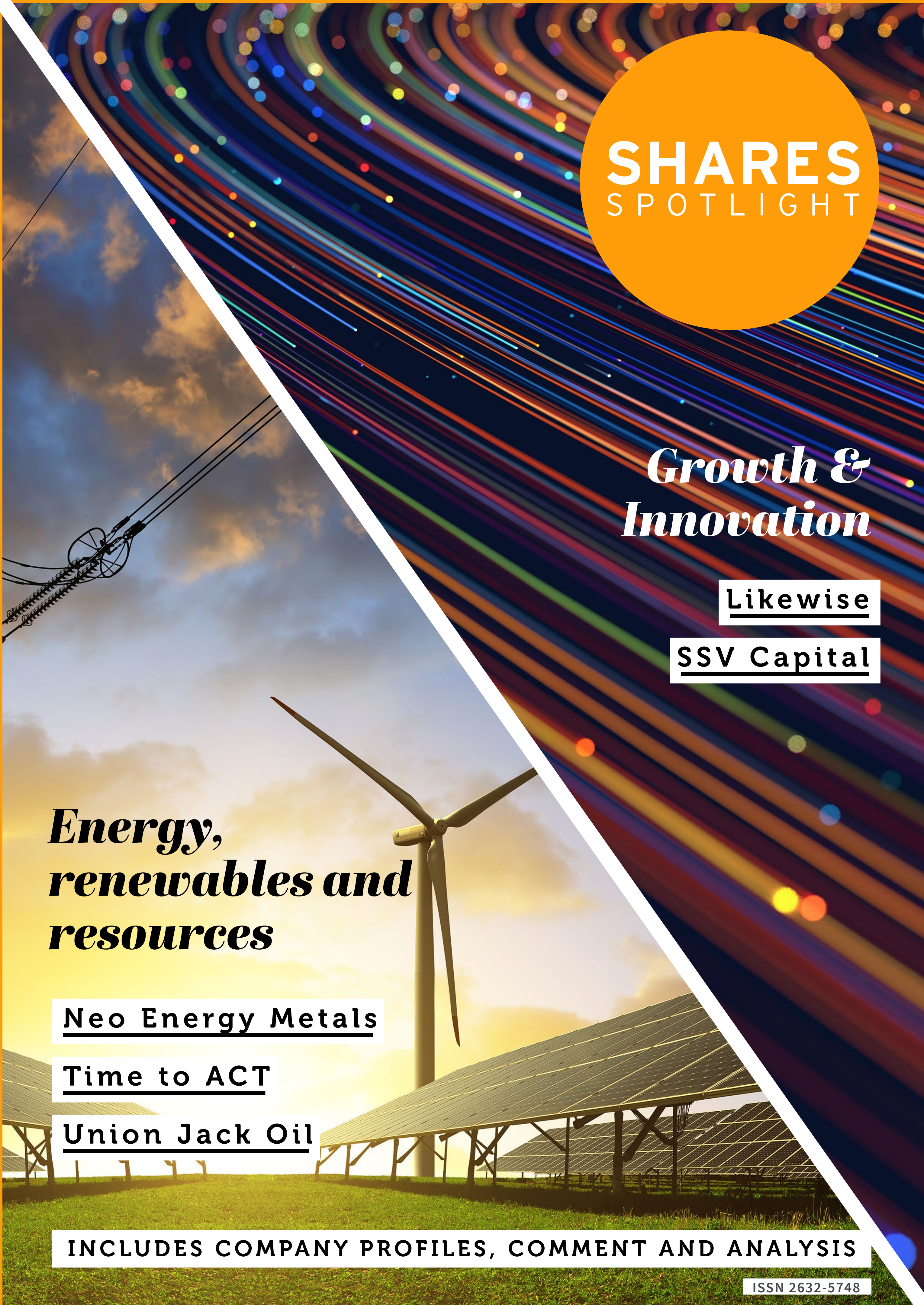

SHARES SPOTLIGHT

Growth & Innovation

Likewise

SSV Capital

Energy, renewables and resources

Neo Energy Metals

Time to ACT

Union Jack Oil

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

DECEMBER 2023

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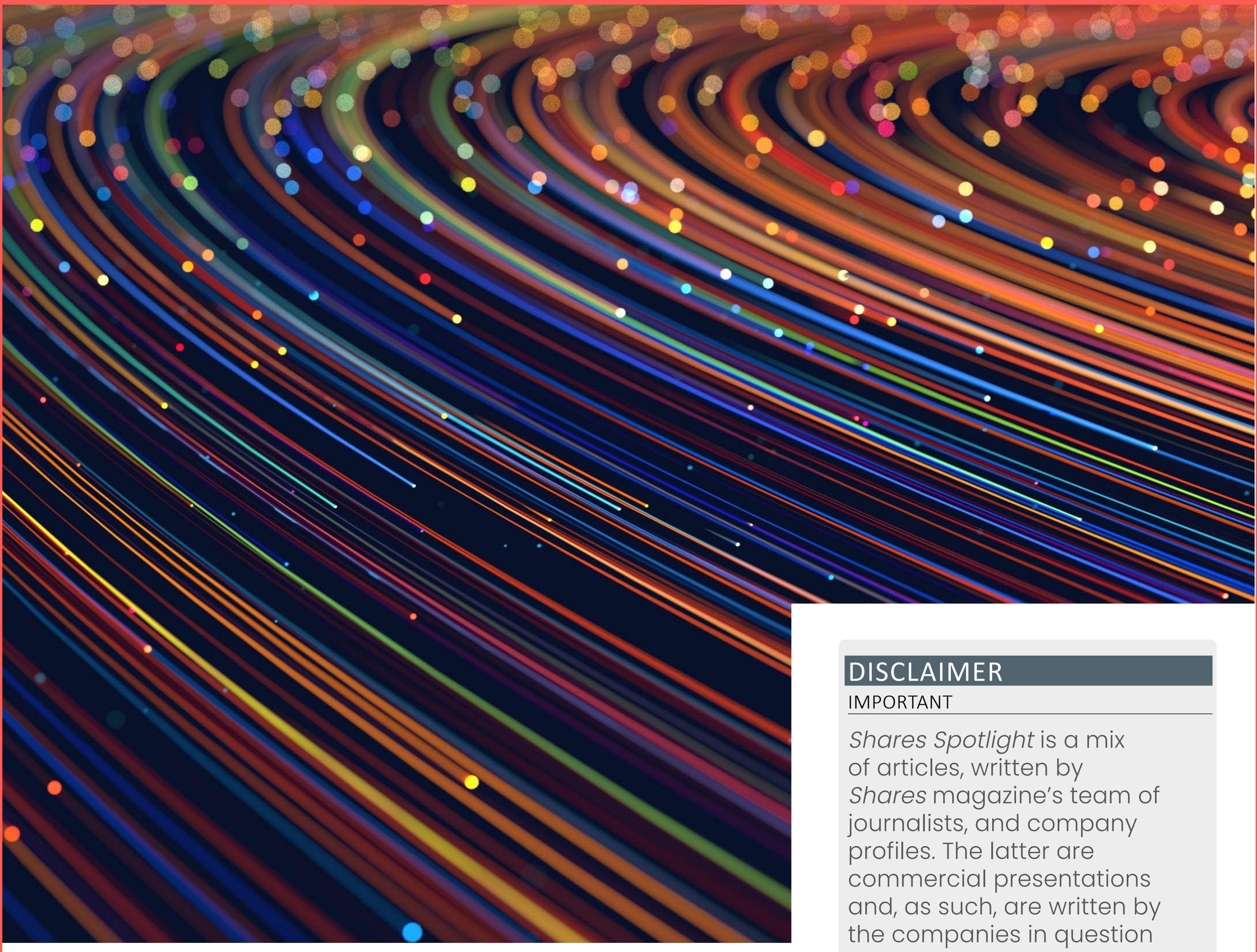

Introduction

Welcome to *Spotlight*, a bonus report which is distributed eight times a year alongside your digital copy of *Shares*.

It provides small caps with a platform to tell their stories in their own words.

The company profiles are written by the businesses themselves rather than by *Shares* journalists.

They pay a fee to get their message across to both existing shareholders and prospective investors.

These profiles are paid-for promotions and are not independent comment. As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

Some of the firms profiled in *Spotlight* will appear at our investor webinars and live events where you get to hear from management first hand.

Click here for details of upcoming webinars and events plus how to register for free tickets.

Previous issues of Spotlight are available on our website.

DISCLAIMER

IMPORTANT

Shares Spotlight is a mix of articles, written by *Shares* magazine's team of journalists, and company profiles. The latter are commercial presentations and, as such, are written by the companies in question and reproduced in good faith.

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Top performing UK resources stocks in 2023

New contracts, revised strategies and mine acquisitions lift a variety of names

Image: Neptune Energy

In this article we discuss the top performing UK resources stocks for 2023.

The top performer is **Plexus Holding (POS:AIM)**. The oil wellhead technology play has seen shares rise 1,140% over the past year. The main driver for this surge is a series of contract developments. In August, the contract value of a major rental contract increased from £5 million to £8 million. In November, the firm was awarded a new contract with a value of £175,000 by **Neptune Energy**.

Ben Van Bilderbeek CEO said the 'decisions taken as part of the revised strategy has begun to have a positive impact with significantly increased revenues and a return to profitability anticipated for the 2023/24 financial year'.

RISING PRICE OF GOLD

Shares in **IMC Exploration Group (IMC)** advanced more than 30%. The Dublin-based exploration company has seen its shares rise throughout the year in tandem with various acquisitions. In early October shares were up 40% in one day as the reverse takeover of MVI Ireland was approved by the Financial Conduct Authority (FCA). MVI owns the operating licence for the Karaberd gold mine in northern Armenia.

IMC's executive chairman Eamon O'Brien said this purchase was significant for shareholders and 'exciting' for the company considering the rising price of gold. Further new projects are in the pipeline in Armenia 'to complement Irish projects in Wicklow and Wexford,' O'Brien added.

More modest but still impressive gains in the year came from **Ashtead Technology (AT.:AIM) Yellow Cake (YCA)** and **Rainbow Rare Earths (RBW:AIM)**.

SMART ACQUISITION

The subsea rentals and services group Ashtead Technology saw its shares rise 93% in 2023 primarily due to upgraded earnings guidance and a significant acquisition which benefited the company strategically.

On 30 November it bought ACE Winches – a market leader in the

design, assembly, and rental of lifting, pulling and deployment solutions – for £53 million.

'The deal serves to broaden Ashtead Technology's geographical reach into high growth areas for both offshore oil & gas and offshore renewables particularly in the US and United Arab Emirates.

'We also note that the company has guided in the second half of 2023 comfortably ahead of its previous expectations,' said analysts at Liberum.

URANIUM PURE PLAY

Yellow Cake shares are up 57.1% this year – an advance not to be sniffed at.

Rising demand for uranium and tight supply has made this commodity popular with investors and this shows little sign of going away in 2024. Cue Yellow Cake. The company is a straightforward way to gain exposure to uranium.

POSITIVE NEWS

Rainbow Rare Earths shares are up 46.2% in 2023 largely driven higher by several positive announcements throughout the year including an agreement with phosphate miner **Mosaic (MOS:NYSE)** to apply the blueprint from its Phalaborwa project in South Africa in Brazil (5 September) and this culminated in the news of the successful production of the first batch of mixed rare earth sulphate from its pilot plant in South Africa which proves the concept.

In early December, Rainbow Rare Earths said it had entered into an option agreement with a major shareholder **TechMet** giving TechMet the right to invest $50 million for a 15-33% direct equity stake in Phalaborwa.

Berenberg analysts says: 'This is a major de-risking event from a funding perspective and will function as a positive in the eventual construction funding of Phalaborwa.'

Top performing UK resources stocks in 2023

Company	2023 performance
Plexus Holding	1,140
Empire Metals	582
IMC Exploration	310
Zenith Energy	300
Gulf Marine Services	175
Petrel Resources	118
Metals Exploration	112
Resolute Mining	95.8
Corcel	95.6
Ashtead Technology Holdings	93
Capital Metals	87.2
eEnergy	85.1
Zanaga Iron Ore	63.8
Yellow Cake	57.1
Amaroq Minerals	51.8
Keras	46.2
Rainbow Rare Earths	46.2
Hummingbird Resources	46

Table: Shares magazine • Source: Sharepad, data to 14 December 2023

Neo Energy Metals is focused on becoming an important supplier to the fast-growing uranium sector

Neo Energy Metals (NEO), the near term, low-cost uranium developer headquartered in Nairobi, Kenya, celebrated its commencement of trading on the main market of the London Stock Exchange (LSE) on 9 November 2023 having completed a reverse takeover and raising £4.9 million.

This makes it the first and only pure uranium exploration company listed on the LSE.

The company is making waves in the uranium mining and exploration sector, holding up to a 70% interest in the Henkries uranium project situated in the Northern Cape of the Republic of South Africa.

With $30 million of historical work previously undertaken at Henkries, this is by no means a greenfield project. This article explores Neo's strategic vision, its current project, and the broader landscape of uranium mining.


Sean Heathcote CEO

Covering a vast 742 square kilometres in the Northern Cape, Henkries, an advanced, low-cost uranium project, is Neo's primary focal point. With an initial estimated mineral resource of 4.7 million pounds of uranium (U3O8) at 399 ppm, the project's potential has been reinforced by extensive historical exploration and a feasibility study completed by Anglo American in the late 1970s. Notably, it remains wide open for potential new uranium discoveries given that less than 10% of the prospective ground has been fully tested.

TWO-YEAR DEVELOPMENT PLAN

Neo's strategy unfolds in a two-year development plan aimed at generating rapid cash flow from Henkries. Simultaneously, it envisions an eight-year exploration and portfolio growth strategy, not only in the Northern Cape Region of South Africa but potentially expanding globally into energy metal property holdings.

Leading Neo is a seasoned board and management team with experience in international mining, financial markets, investments, and project development in Africa.

The diverse expertise of individuals including Jason Brewer, Sean Heathcote, Jackline Muchai, Bongani Raziya, James Longley, and Charles Tatnall, positions Neo for success in its ambitious endeavours.

The company also has

an incredibly supportive cornerstone investor in Q Global Commodities, one of South Africa's leading independent commodity, logistics and investment houses that has established over 45 mines throughout Sub-Saharan Africa from greenfield status through to production and exports of materials to the global commodity markets.

The team has outlined a comprehensive short-term development programme for Henkries, including geophysical traverses, and infill exploration drilling to upgrade and expand the mineral resource estimate (MRE).

Metallurgical test work and environmental assessments are also part of the programme, aimed at providing a robust foundation for the preliminary economic assessment (PEA) and the subsequent development phase.

STRAIGHTFORWARD MINING PROCESS

Neo envisions a straightforward mining process for the Henkries orebody, favouring a low-cost

bulldozer-based, strip-mining approach. With advancements in uranium extraction technology, the company anticipates increased process efficiencies.

The company's plans initially involve constructing a small modular plant, with the potential for expansion as more deposits are developed.

As the global demand for enriched uranium is expected to rise, Neo's position in the market aligns with the broader transition to a low-carbon, sustainable energy economy.

A DYNAMIC PLAYER

Commenting on the opportunity Neo offers, Sean Heathcote CEO said: 'With nuclear widely recognised as a clean, safe, dependable, and economic energy source, and given the uranium industry needs to at least double its development pipeline of new projects by 2040 to avoid potential supply disruptions, Neo has joined the market at the right time.

'Our Henkries project offers an incredible opportunity. It had tens of millions of dollars spent on it in the 1970s when uranium prices were high but, with spot prices below the cost of production for all but the lowest cost mines during the 1980s and 1990s, it was never developed.

'This historic investment means that we have an exceptional understanding of Henkries' potential that will help us fast-track towards a development decision within two years and offer near-term, low-cost production that will, we believe, deliver value to shareholders and stakeholders alike'.

In conclusion, Neo has emerged as a dynamic player in the uranium exploration and development sector, with its sights set on unlocking the vast potential of Henkries and beyond.

With a strategic focus on responsible and efficient resource development, Neo is poised to contribute significantly to the global shift towards sustainable and low-carbon energy solutions. Investors keen on being part of the next wave in energy exploration should keep a close eye on Neo's promising trajectory.

Neo Energy Metals

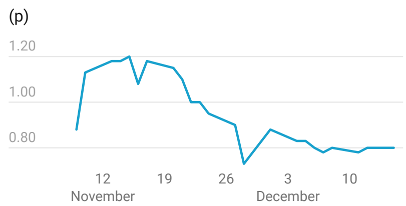


Chart: Shares magazine • Source: LSEG

www.timetoactplc.com

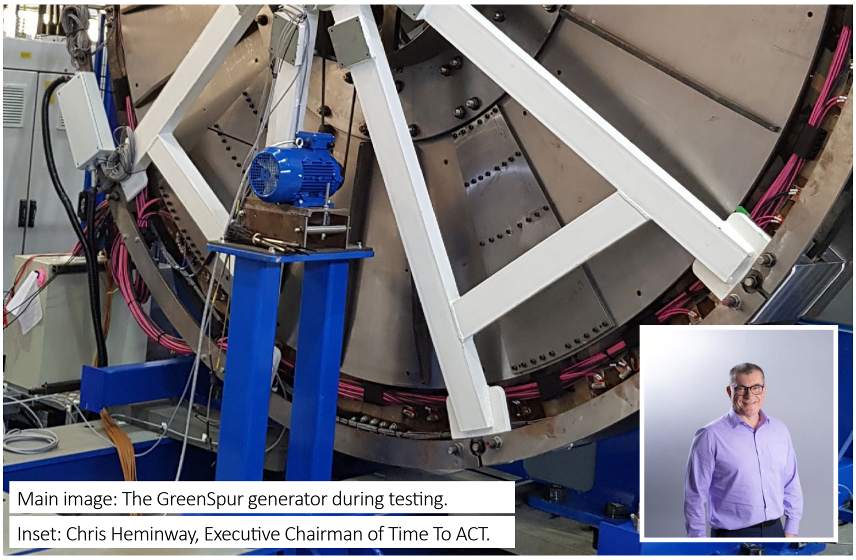
Time To ACT plc
ADVANCING CLEAN TECHNOLOGIES
Parent of the Time To ACT Group

An introduction to an energy transition play Time To ACT

Time To ACT is delighted to have this opportunity to introduce itself to you.

The group and its management team have big plans for the business including, when the market timing is right, an initial public offering (IPO).

In the meantime, every opportunity is taken to communicate the vision to the widest possible audience. With a range of activities focused specifically on the energy transition economy, the group business model is both unique and compelling.



Main image: The GreenSpur generator during testing.
Inset: Chris Heminway, Executive Chairman of Time To ACT.

WHERE DID IT ALL BEGIN?

Time To ACT was created in 2019 by the combination of two businesses, Diffusion Alloys and GreenSpur.

The company has progressively built out its infrastructure and management capability such that it is today able to offer a full-service capability which both supports our current activities and provides the platform to integrate future technology acquisitions.

Time To ACT is a development business whose focus is 'Advancing Clean Technologies' – the acronym found within the company name.

The group owns and operates several activities, each of which addresses the opportunity provided by the energy transition. As such, the company engages in the operation, improvement and scale-up (collectively, the 'development') of cleantech/renewable supply-chain technologies, each with a promising profile but with embedded challenges that it can help to overcome.

As the parent of the group, Time To ACT adds value by providing strategic direction as well as financial and operational support to our businesses, at the core of which is a permanent capital model which can provide backing to companies at any stage of maturity.

Thus, the company deploys stronger and better centralised support from group finance and group operations than any small medium enterprise (SME) could access independently.

The energy transition – by which is meant the decarbonisation of energy through the shift away from using fossil fuels in favour of using clean and renewable technologies – is quite simply the greatest economic opportunity for generations.

Scaling the supply chain to deliver on this opportunity will present a major challenge. This is where Time To ACT comes in. The group is not trying to invent new science or develop breakthrough processes but is providing the picks and shovels – the essential tools – for mining this new gold rush.

But also understand that when describing the group as supplying picks and shovels, the description should not be allowed to understate the extent of intellectual property, know-how and other technical capacity that is being brought to bear.

TWO SUBSIDIARIES: DIFFUSION ALLOYS AND GREENSPUR

SURFACE COATINGS BUSINESS DIFFUSION ALLOYS

Diffusion Alloys is a surface coatings business which has pivoted away from coating fossil fuel components (primarily gas turbine blades and vanes) to focus on cleantech applications.

The company announced earlier this year a supply chain partnership with **Johnson Matthey (JMAT)** in the field of 'blue' hydrogen – the two companies have joined forces to scale-up production and enable the increasing demand for low carbon hydrogen used to reduce global carbon emissions.

The management team confidently states that Diffusion Alloys is the only credible diffusion coater in the world for blue hydrogen components.

The business also offers expertise in the coating of components for solid oxide fuel cells, solid oxide electrolyses, liquid-lead cooled modular nuclear reactors and many other cleantech applications. The company is currently undertaking a significant scale-up of its capacities to meet expected demand.

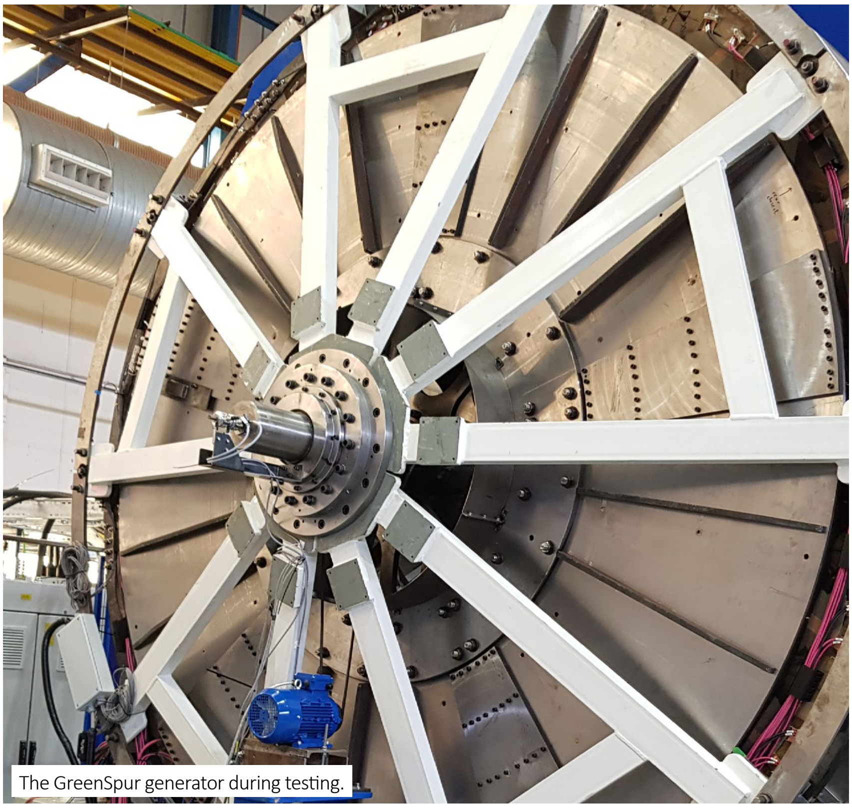
DEVELOPMENT BUSINESS GREENSPUR

GreenSpur is a development business preparing to enter its commercialization phase. The company has designed and developed an innovative rare earth free generator with a primary application in the wind turbine industry.

It is widely understood that around 90% of the world's rare earth magnets (used in wind turbines and electric vehicles among other applications) are produced in China and western users have become increasingly concerned about supply chain security – including the potential weaponisation of continuing supply – as well as the poor environmental credentials of Chinese production methods.

GreenSpur technology was founded in the use of standard, widely available ferrite magnets, and has been progressively expanded to the extent that the design now claims to be infinitely configurable – 'Any size, Any application, Any magnet, Any drive train'.

The business is engaged in several strategic partnering discussions.


The GreenSpur generator during testing.

GROUP PHILOSOPHY

As a group, Time To ACT will operate subsidiaries at any stage of their maturity but will generally seek to maintain a mix of activities which blend later-stage cash generation with earlier-stage cash dependency.

At the core is the group's management, technical and engineering capability responsible for building asset value, which comprises know how and intellectual property.

The group monetises this asset value through a combination of strategic partnerships and commercial activity within what is called 'the best owner' model – that the group owns its activities in perpetuity under a permanent capital structure or, at least, until a best new owner emerges.

It was decided at an early stage to headquarter Time To ACT on Teesside, which can justifiably claim to be a leading UK region in pushing the transition to a green economy.

For Further Information email info@timetoactplc.com or Call +44 (0)1642 967138 www.unionjackoil.com

Union Jack – flying the flag for UK oil and gas

The directors of **Union Jack Oil (UJO:AIM)**, a profitable, cash generating and debt free onshore hydrocarbon, production, development, and exploration company, have vindicated the UK onshore as being an attractive target for investment in oil and gas ventures, considering the relatively low-cost operating environment and a fully transparent licensing regime.

The company has adopted a business model, typically acquiring interests in late-stage projects, mitigating risk and offering exposure to wells with the scope to dramatically change the dynamics with the drill bit, Wressle being a prime example of its recent success.

Union Jack holds what their Board considers to be high-value material project interests with significant upside potential in their axis areas of the East Midlands, Humber Basin, and East Yorkshire.

These interests are believed to be able to assist in delivering material growth in the medium term and build a sustainable mid-tier onshore focused conventional hydrocarbon producer.

MILESTONES IN 2023

Union Jack has achieved several significant milestones during 2023, which include, a materially strengthened balance sheet, healthy cash generation and an upgraded reserve and resource base.

The success seen at Wressle since mid-2021, has financially transformed the company beyond recognition and net revenues, mainly from the Wressle development have grown to over £17,000,000 and continues to strengthen the already strong company balance sheet.

Since the commencement of the dividend and share buy-back programme in late 2022, the company has returned approximately £3 million to shareholders.

The dividend policy remains, with the intent to continue these payments, based on the proportion of free cash available, subject to project obligations being fulfilled.

For the six months ended 30 June 2023, gross profits in-excess of £1,600,000 were reported. The management have high expectations that this impressive performance will continue for the near future and beyond.

The company is funded for G&A, OPEX and contracted or planned CAPEX costs, including any current drilling activities or work programme commitments.

ASSET OVERVIEW

The company holds key interests in several licences all being located within an established hydrocarbon producing province.

- **PEDL180** and **PEDL182** Wressle development and Broughton North (40% interest)
- **PEDL183** West Newton A-1, A-2 and B-1Z hydrocarbon discoveries (16.665% interest)
- **PEDL253** Biscathorpe (45% interest)
- **PEDL005(R)** Keddington oilfield (55% interest)
- **EXL294** Fiskerton Airfield oilfield (20% interest)
- **PEDL241** North Kelsey (50% interest)

ZERO CARBON POLICY

The UK is committed by law to reach net zero carbon emissions by 2050.

Union Jack, by its own policy is not the operator of its projects and only work with operators which have a firm commitment to safety, environmental and social responsibility in all aspects of their operations.

Union Jack's focus is to minimise emissions and the carbon footprint generated by its hydrocarbon interests in the most efficient means possible, whilst continuing to contribute positively to the growing demand for energy and hydrocarbon projects in the supply chain.

As the demand for energy increases and the global economy recovers, hydrocarbons will play a significant role in ensuring the energy security of the UK.

PEDL180/PEDL182 WRESSLE DEVELOPMENT

Located in Lincolnshire on the Western margin of the Humber Basin, PEDL180 and PEDL182 contain the substantial Wressle conventional hydrocarbon discovery with proven reserves and material upside.

Wressle oil production has significantly exceeded forecast expectations with significant flow rates continuing to be recorded.

The joint venture partners have agreed a budget and drilling programme targeting the Penistone Flags formation that holds significant recoverable hydrocarbons.

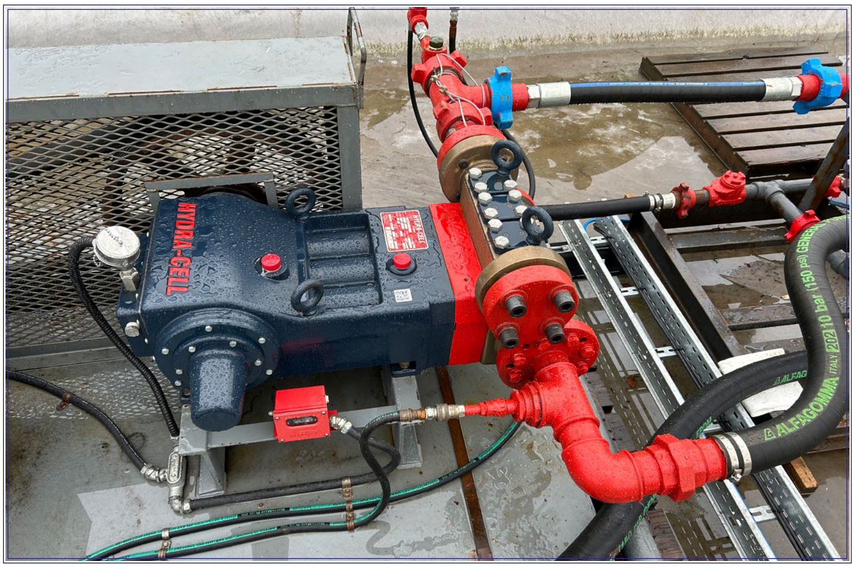
In addition, a sales route for produced gas has been decided.

Environmental monitoring throughout the Wressle development has shown there to be no measurable impact on surface or groundwater quality, no related seismicity and that operational noise levels have been contained within permitted ranges.

PEDL183 WEST NEWTON

West Newton is in East Yorkshire and within the Western sector of the Southern Zechstein Basin, containing the West Newton A and B site discoveries and 2C unrisked technically recoverable sales gas of more than 197 billion cubic feet.

The approved development plan includes the drilling, completion, and associated



production from several wells.

Drilling is planned at West Newton during 2024 and Union Jack look forward to unlocking the significant potential of the Greater West Newton project.

A future West Newton development will benefit from being in an area that provides access to substantial regional infrastructure and could deliver significant volumes of onshore low-carbon sales gas into the UK's energy market.

Domestically produced natural gas is, and will remain, a much-needed part of the energy mix as the UK seeks to reduce its reliance on imported products.

PEDL253 BISCATHORPE

PEDL253 is situated within the proven hydrocarbon fairway of the South Humber Basin and is on-trend with the Keddington oil field and the Saltfleetby gas field.

While drilling the Bisacathorpe-2 well, there were hydrocarbon shows, elevated gas readings and sample fluorescence observed over the entire interval from the top of the Dinantian to the Total Depth of the well, with 68 metres being interpreted as oil bearing.

Further evaluation of the results of the Biscathorpe-2 well, together with the reprocessing 264 kilometres of 3D seismic, indicate a material and commercially viable hydrocarbon resource remaining to be appraised. In October 2023, the Planning Inspectorate granted planning for the next Biscathorpe well.

A side-track well is now planned.

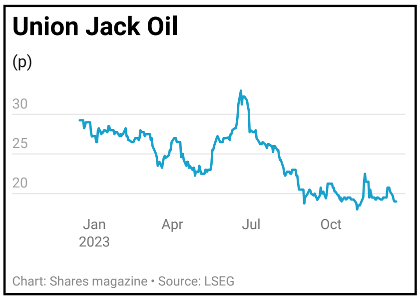
NEWS FLOW

Union Jack look forward to a busy period of news flow in respect of its balanced portfolio during 2024 and beyond. In addition to the planned extended drilling programme and future gas monetisation at its flagship Wressle, drilling activity at West Newton, Keddington and Biscathorpe is also planned.

Union Jack remains committed to promoting and investing in the UK onshore hydrocarbon sector where the opinion of the Board is that "several rich pickings" remain, especially within PEDL253 where the Company`s technical team believe that Biscathorpe, with planning already in place to drill, remains one of the largest unappraised conventional onshore discoveries within the UK.

As indicated in the 2023 Half Yearly Report, Union Jack is also in the process of screening a number of growth and cash generating projects futher afield which will be self-funding in the short term, without placing undue strain on the Company`s robust balance sheet.

Executive Chairman of Union Jack, David Bramhill states, "the future of Union Jack remains bright".



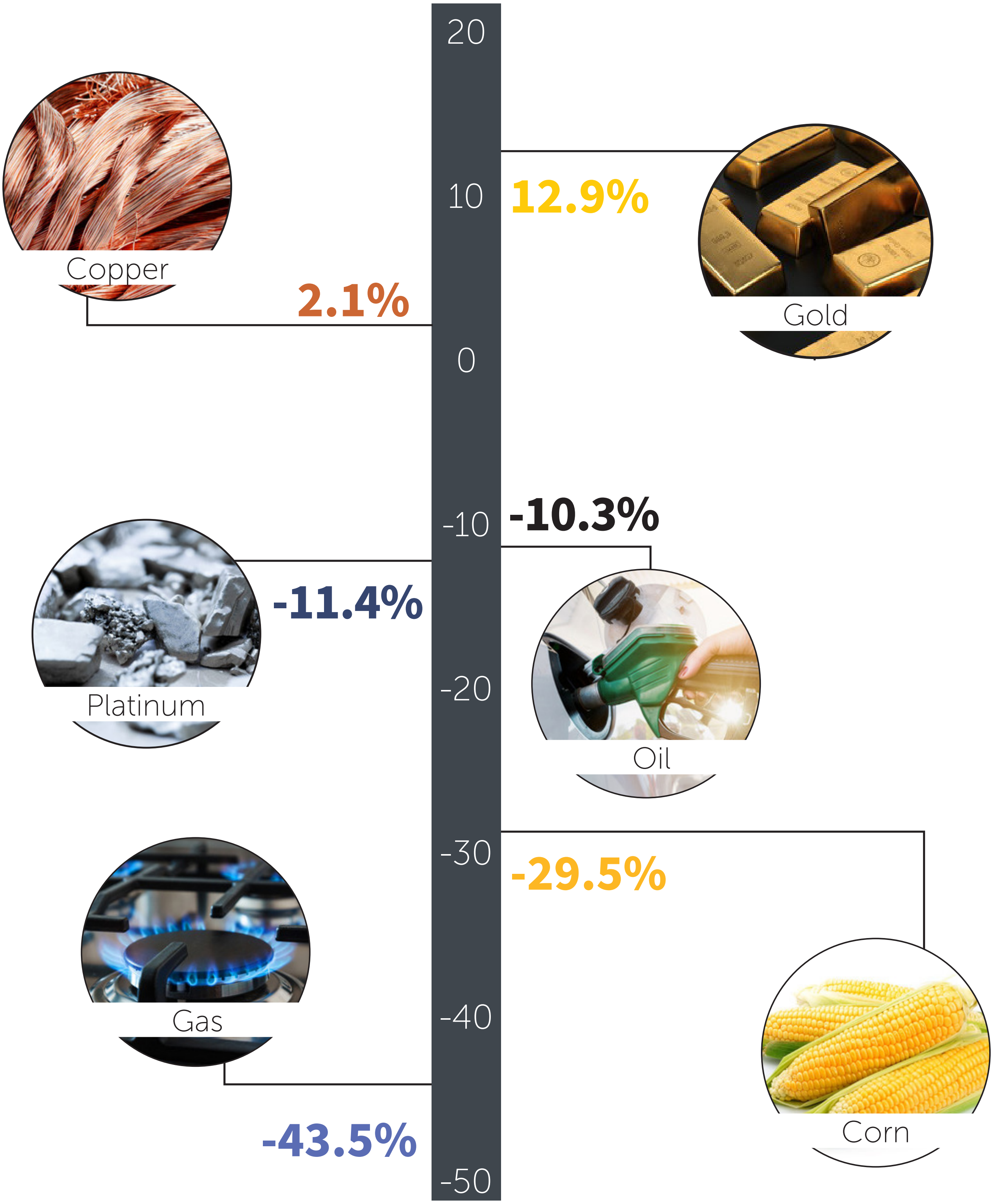
Databank – Commodity price performance 2020-2023

	2020	2021
Copper	28.5%	23.1%
Corn	11.8%	22.0%
Crude Oil	-22.2%	42.0%
Gold	24.2%	-5.0%
Natural Gas	20.4%	44.0%
Platinum	6.9%	-12.0%

	2022	2023
Copper	5.3%	2.1%
Corn	30.1%	-29.5%
Crude Oil	42.7%	-10.3%
Gold	7.4%	12.9%
Natural Gas	57.7%	-43.5%
Platinum	5.4%	-11.4%

Source: Refinitiv. Data to 18 December 2023.

Databank – Gain / loss so far in 2023



Source: Refinitiv. Data to 18 December 2023.

AIM superstars - the best performers of the last decade

Company	Annualised 10-year return (%)
Sylvania Platinum	33.9
Greatland Gold	31.9
IMPAX Asset Management	31.1
Serica Energy	30.9
Keywords Studios	29.9
YouGov	28.9
Tristel	28.7
Bioventix	28.4
Sopheon	27.3
Unbound	26.9
AB Dynamics	25.9
Spectra Systems Corp	25.8
Next 15	25.7
Water Intelligence	25.6
Burford Capital	24.8

Company	Annualised 10-year return (%)
Spectra Systems Corp	24.7
Marlowe	23.6
CVS	21.4
Victoria	20.8
Learning Technologies	20.8
Arcontech	20.3
MTI Wireless Edge	20.0
Roebuck Food	19.5
MS International	18.9
Renew Holdings	18.9
Judges Scientific	18.7
Solid State	18.7
Jet2	18.5
Caledonia Mining Corp	18.1
Instem Life Science Systems	18.0

Shares magazine. Source: Sharepad, data to 18 December 2023 www.likewiseplc.com

Likewise plc

Likewise, the fast growing flooring distributor on a roll

AIM-quoted **Likewise Group (LIKE:AIM)** the progressive flooring distributor, was founded in 2018 by a group of executives with extensive experience in the industry, led by Tony Brewer and Andrew Simpson.

The collective founders still hold 40% of the equity, with Brewer and Simpson investing further in every subsequent fund raise. Furthermore, they have also reinvested dividends.

PREVIOUS SUCCESS

The same team transformed **Headlam (HEAD)** from a small textile distributor in 1991 to a £700 million flooring distribution business before Brewer left in 2016.

Likewise, is further enhanced by developing new management in logistics, product, sales, and finance.

Learning their trade in strategic positions across the country. This has created a strong balance of experience and youth, providing Likewise with an extremely exciting future.

The company has accelerated to annualised sales revenue more than £150 million in a market that has at best been challenging. With only utilising 60% of current logistics capacity, Likewise can clearly establish a business over £250 million.

A significant feature is the organic growth whereby from its initial acquisitions the group has grown rapidly, establishing new businesses in London, South East, North, North East, Scotland, more recently Midlands and South, soon to be followed by Wales and the South West.

The company has also been acquisitive with Lewis Abbott, Heatseam Factory Flooring, A&A, Delta, H&V plus the important strategic acquisition of Valley Wholesale Carpets.

To fund its expansion, Likewise raised £14.5 million capital on the International Stock Exchange (TISE) in 2019, followed by the successful listing on the alternative investment market (AIM) in August 2021 raising a further £10 million plus funding the Valley acquisition with a raise of £16 million.

Likewise has national presence through its 11 distribution hubs and logistics centres in Glasgow, Newcastle, Leeds, Manchester, Derby,

Birmingham, Newport, Newbury, Sudbury, Sidcup, and Erith in south east London.

EXPERIENCED MANAGEMENT TEAMS

Through its experienced management teams, Likewise has extremely strong relationships with flooring manufacturers across the globe and has established sales teams with tremendous customer knowledge to launch carpet, residential vinyl, laminate, luxury vinyl tiles, artificial grass and flooring accessories into independent flooring retailers in addition to commercial products to flooring contractors.

With the investment, particularly over the last three years, the group is now very well positioned to benefit from operational gearing and produce an operating margin of circa 5% combined with a working capital cycle which is inherently cash generative supporting the board's policy of a progressive dividend incorporating both interim and final dividends. The group also has shareholders authority to buy back Likewise shares.

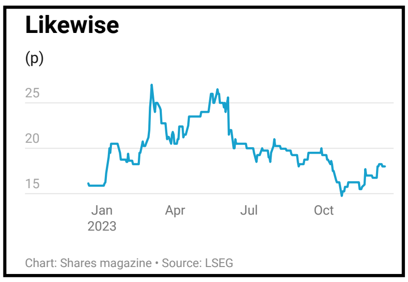
While developing the business rapidly, Likewise has also been very conscious of its environmental and social responsibilities. Eighty-six per cent of company cars are electric or hybrid.

The delivery fleet is being renewed and packaging materials are recycled wherever possible. Furthermore, Likewise has become a core funding member of Carpet Recycling UK.

The new locations established in the last three years provide much improved working conditions and employee stability is reflected in key people having joined the five employee share save schemes launched since 2019.

Likewise also has a strong balance sheet with net assets of £39 million supported by four freehold properties valued at £22.3 million and fixed debt of only £2.4 million.

The experience of the management and sales teams combined with the success to date and logistics infrastructure with excess capacity established will allow Likewise to progress through £250 million. The benefit of operational gearing at this sales revenue could produce a return on sales of circa 5%.



Shares Spotlight
SSV Capital

www.ssvcapital.co

SSV Capital®
Grow with us

Discover the story behind trailblazing asset manager SSV Capital

SSV Capital, headquartered in Canary Wharf, London, stands as a trailblazing asset manager committed to fostering a sustainable and ethical future. Guided by the triple ‚P' principles of People, Planet, and Prosperity, the company places a strong emphasis on addressing clients' needs and cultivating robust partnerships within its investment strategy.

At the core of SSV Capital's mission is the development of a diversified portfolio comprising disruptive companies in key sectors such as banking fintech, real estate, and funds, all with the overarching goal of maximising returns for investors. Ethical and sustainable practices are not just components but rather central tenets of SSV Capital's mission, aiming to set the standard as an ethical investment firm within its chosen sectors.

In the pursuit of maximising positive impacts, the company's investment philosophy revolves around the pillars of engagement, agility, and excellence. This approach seamlessly combines inventiveness

Ankur Ghosh, Founder & CEO

with pragmatism to facilitate wealth creation. The bedrock of SSV Capital's relationships with partners and clients is built on transparency, fairness, and honesty.

The team at SSV Capital comprises specialists with world-class expertise who leverage a deep understanding of their respective sectors to formulate effective investment strategies. With a focus on long-term returns, the company prioritises transparency in all its dealings, ensuring a foundation of trust with its stakeholders.

Looking ahead, SSV Capital envisions itself as a benchmark for ethical and sustainable investment firms. The mission extends to building an investment portfolio composed of disruptive companies, fostering progressive development and ensuring sustainable returns.

Within high-growth sectors like banking fintech, real estate, and funds, SSV Capital is strategically positioned. Innovations such as SSV SmartPay, a secure payment method, showcase the company's commitment to revolutionising banking fintech.

Meanwhile, SSV Real Estate offers a digital proptech platform for the diversification of investment portfolios in commercial properties, and SSV Funds provides customised portfolios tailored to unique financial objectives. Through these ventures, SSV Capital solidifies its position as a forward-thinking and ethical player in the realm of disruptive asset management.

SSV Funds
Building sustainable wealth

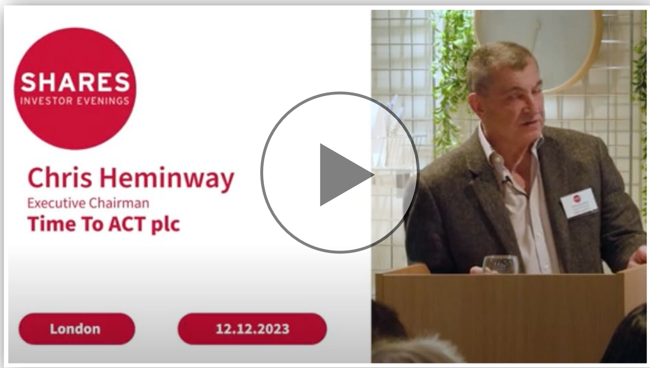
SSV Real Estate
Above the crowd

SSV SmartPay
Banking your success

WATCH RECENT PRESENTATIONS

SSV Capital
Ankur Ghosh, Founder & CEO
Nidhi Pandit, Head of Corporate Development

Our aim is to build a better tomorrow, not just for our clients by significantly building up the value of their assets, but for the world in general, by adopting a sustainable and ethical approach in everything that we do. To achieve this aim, wherever possible we will seek to maximise the positive impact of our investments. We follow a triple P guideline of People Planet Prosperity.



Time To ACT plc
Chris Heminway, Executive Chairman

Time To ACT plc is a development business focusing on Advancing Clean Technologies. We own, operate, improve and scale up cleantech and renewable supply chain businesses with promising profiles but embedded challenges that we can help to overcome.

Velocity Composites (VEL)
Andy Beaden, Chairman / Jon Bridges, CEO / Andrew Hebb, Interim CFO

Velocity Composite's aim is very simple: to reduce the operational costs of our customers by providing engineered kits that reduce all forms of waste from the composites supply chain.

Visit the Shares website for the latest company presentations, market commentary, fund manager interviews and explore our extensive video archive.

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