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VOL 23 / ISSUE 45 / 18 NOVEMBER 2021 / £4.49

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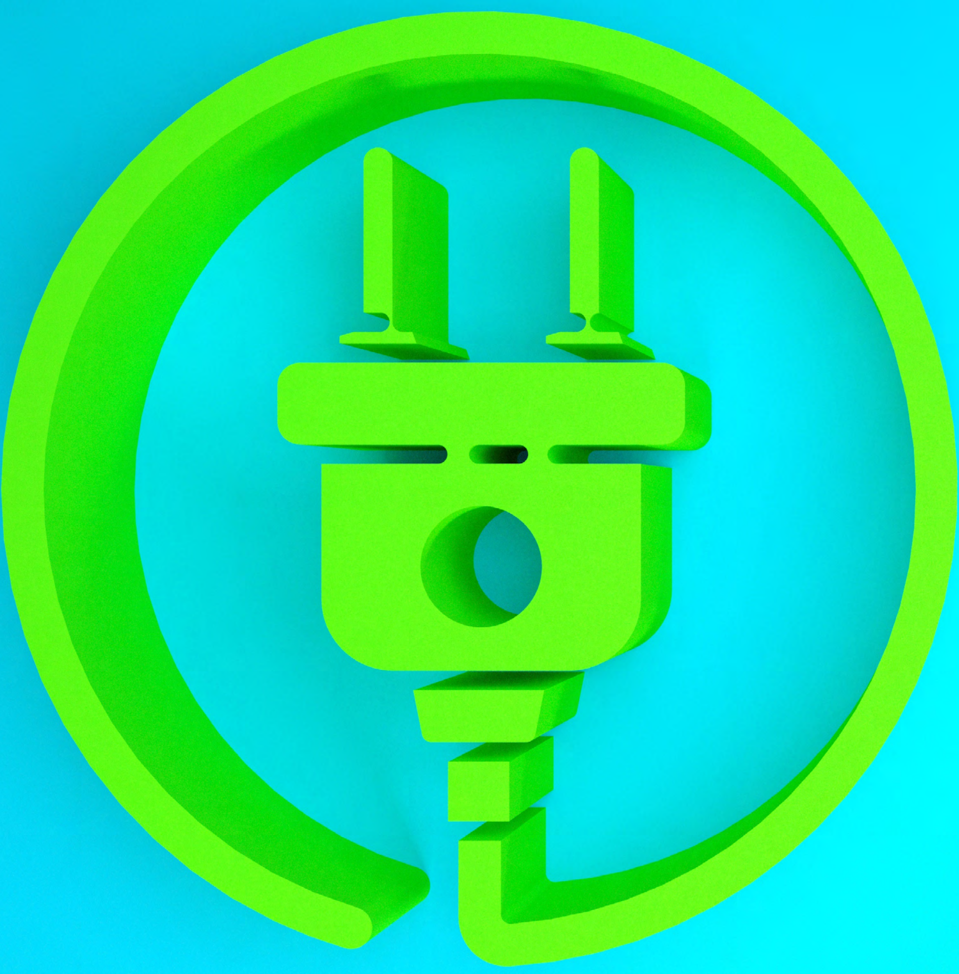

The ESG funds and trusts best placed to thrive

POD POINT AND RIVIAN: The investment case behind two new electric vehicle plays

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Delivering Long Term Growth

Over the years, our strategy has evolved and grown. Our focus on long-term growth for our shareholders has remained constant. Our purpose is to provide shareholders with access to the attractive long-term returns generated by investing in private companies, and we are proud that we recorded our 12th consecutive year of double-digit Portfolio growth in 2021.

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FTSE 100 on verge of full recovery from Covid crash

The index is so close to reclaiming all the lost territory since markets crashed around the world in February 2020

The FTSE 100 is a whisker away from finally clawing back all the lost territory caused by the global market crash in February 2020.

At the time of writing (16 Nov), the UK blue chip index traded at 7,343. It needs to rise by less than 1% to hit 7,403 which is where the FTSE stood on 21 February 2020 before global markets went into freefall.

Performance since eve of global market crash in Feb 2020

Nasdaq (US)	66%
Nikkei 225 (Japan)	27%
Dax (Germany)	19%
CSI 300 (China)	18%
FTSE 100 (UK)	−1%

Data since 21 Feb 2020 market close
Source: SharePad, 16 Nov 2021 • Created with Datawrapper

It's been a long time coming and breaking through the 7,403 level would be important from a psychological perspective. It would suggest that UK stocks have moved beyond the Covid recovery stage and that investors are now focused on the next stage of a company's life.

It would also end the embarrassment over the UK stock market being stuck in the mud, given that it took less than four months for the Nasdaq index in the US to recover all its losses caused by the global market crash. It now trades 66% ahead thanks to tech stocks doing well.

The UK has lagged due to the type of companies you find in the FTSE 100. As a market cap-weighted index, the FTSE's performance is heavily influenced by oil producers, banks and consumer goods companies which are among the biggest constituents.

Oil was in the doldrums until about a year ago, so **Royal Dutch Shell (RDSB)** dragged on the FTSE's recovery for a while. Names like **HSBC (HSBA)** and **Unilever (ULVR)** haven't performed that well since the market crash, and they've also held back the index.

Despite the overall UK index being a laggard versus other geographic territories such as Japan's Nikkei (+27% since the 2020 global market crash) and Germany's Dax (+19% over the same period), the FTSE 100 has still had some big success stories.

Since that big market downturn as the pandemic first unfolded, shares in **Royal Mail (RMG)** have increased by 150% in price, driven by the e-commerce demand surge. **Ashtead (AHT)** is up 135% thanks to a rebound in US construction activity and it being a likely beneficiary of Joe Biden's $1 trillion infrastructure plan.

It would be great to see the FTSE move above 7,142 but there is a big headwind to consider. The Bank of England is expected to raise interest rates in the UK soon and that will theoretically be positive for sterling, which in turn is bad for the FTSE given around 70% of the earnings generated by its constituents are denominated in foreign currencies.

Investing in the UK market can be frustrating at the best of times and this is a reminder to diversify your portfolio geographically rather than just sticking with the UK because of home bias.

By **Daniel Coatsworth** Editor

Johnson & Johnson rips off Band-Aid in consumer healthcare battle

Spin-off plans for US institution continues trend of announced corporate break-ups

Johnson & Johnson plans to spin off its consumer products unit which comprise some of the world's most iconic brands such as Neutrogena, Tylenol and Band-Aid.

The division is expected to generate around $15 billion of revenues in 2021 which represent around 16% of the company's overall revenues.

Spin-offs or demergers have suddenly become all the rage with four announced in quick succession over the past few weeks.

General Electric decided to split into three separate companies, Toshiba is contemplating a break-up of its businesses and online trading platform **CMC Markets (CMC)** is looking to separate its leveraged and unleveraged businesses.

The underlying logic behind all these moves is a desire to unlock so-called hidden value associated with conglomerates and to increase focus and drive growth in the separated companies.

In theory investors will pay more for a business when it is unshackled from its parent because it has access to its own cash flows and can make capital allocation decisions which maximise its future value.

For example, the *Financial Times* reported that the investors might pay an extra 15% for Johnson & Johnson's businesses should they trade separately.

J&J FOLLOWS IN GSK'S FOOTSTEPS

Johnson & Johnson's move mirrors that of UK pharma group **GlaxoSmithKline (GSK)** which is due to spin off at least 85% of its consumer healthcare division in the middle of next year.

That sets up a potentially intriguing battleground between the two largest consumer healthcare companies in the world as they go head-to-head to consolidate what both companies admit is a fragmented market.

The businesses are similar in size with GSK's consumer health division forecast to have revenues of around £10 billion or $13.4 billion at current exchange rates.

Johnson & Johnson claims to be a global leader with a 'powerful' portfolio of iconic brands comprising four $1 billion megabrands and 20 brands over $150 million.

It has leading positions in over the counter self-care, skin health and essential health including baby care, feminine care and oral health.

Following the merger of GSK's and Pfizer's consumer healthcare divisions in 2019 the combined business claims market leadership in over the counter pain relief, respiratory products, and vitamins.

The company also claims leadership positions in the important US market with a 10.5% market share and Asia overall (number two in China) and a third of revenues are generated in emerging markets which are expected to have faster growth.

An ageing global population and increasing desire for consumers to manage their own health should underpin future organic growth on top of anticipated acquired growth for both companies. [MGam]

Walt Disney's slowing subscriber growth hobbles its shares

Questions are being asked about whether the company can hit ambitious streaming targets

Shares in entertainment company Walt Disney plunged 9%, extending their losses in a difficult year for the company, as fourth quarter results (10 Nov) disappointed investors and fell short of analysts' expectations.

The company has been tripped up by a combination of weaker than expected subscriber growth for its streaming services and rising costs. Year-to-date its shares are down 8.7% compared with a commensurate rise of 25% for the US S&P 500 index.

WHAT WENT WRONG IN THE LATEST QUARTER?

The company reported earnings per share of $0.37 compared with consensus expectations of $0.51.

The biggest disappointment, however, was the notable drop-off in sign-ups for its flagship Disney+ streaming business where the firm has been making a big push to compete with the likes of Netflix and Amazon Prime.

Despite subscriptions growing 60% year-on-year to 118.1 million, Disney only managed to sign up 2.1 million new customers in the quarter against market expectations of more than 10.2 million.

That's less than half the number of subscribers that rival Netflix added over the same period, an increase which took its global subscriber base to 213 million.

Disney has 179 million subscribers to all its streaming services if ESPN+ and Hulu are included.

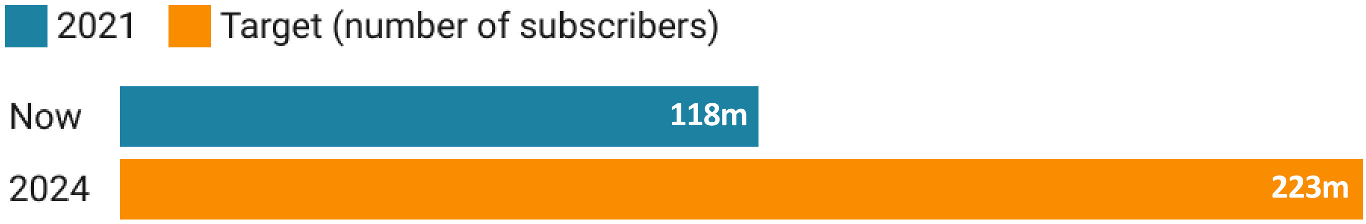
Undeterred by the slower growth chief executive Bob Chapek stuck to his guns and reiterated the firm's prior forecast for Disney+ subscriptions to reach between 230 million and 250 million by the end of 2024.

INVESTORS SCEPTICAL

Investor scepticism is understandable because to even achieve the bottom end of the target requires the company to add an average of 12.4 million subscribers every quarter for the next three years.

However, the company is confident that a strong pipeline of new titles from its marquee franchises – Disney, Marvel and Star Wars – which are due for release between July and September next year could entice new viewers and reignite

Disney+ has a way to go to hit even the lower end of 2024 targets



Source: Walt Disney • Created with Datawrapper

subscriber growth.

The company will hope the heavily touted Disney+ day on 12 November helped net it a large number of new subscribers as it released new content on the platform and offered one-month subscriptions for $1.99 in the US and £1.99 in the UK.

Not everyone is convinced of such a rosy future for streaming businesses though and there are concerns that the tremendous growth seen in the last few years may have saturated the market.

For example, in the US there are over 100 streaming services to choose from and fighting over the remaining millions of customers may prove more costly than envisaged.

Meanwhile companies need to spend billions on new content to keep their audiences entertained and loyal. To put that into some context, Netflix is on track to spend $17 billion on content this year.

Disney's direct to consumer division which houses the streaming services business continued to spend heavily on programming and marketing and clocked-up higher operating losses of $630 million.

THEME PARK REBOUND OVERSHADOWED BY COSTS

The company's US theme parks saw a rebound in attendances and spending as they reopened though this came with a return of the costs associated with running the sites.

And, as international travellers have only recently been allowed to visit the US, a more significant recovery isn't expected until next year.

Even here the company fell short of expectations with the division generating an operating profit of $640 million compared with forecasts for more than $900 million.

This reflected inflationary pressures, including increased staffing costs, which Disney is looking to address for the time being by adjusting suppliers, cutting portion sizes and substituting products, rather than increasing ticket prices.

While the strength of the Disney brand does give the company significant pricing power, clearly there are limits to this and it is not immune from the rising prices affecting businesses worldwide.

The company is also talking up the potential margin boost from its recently launched Genie+ app which for $15 per day offers some services to enhance the visitor experience while also offering queue-jumping passes which can be purchased through the platform.

Chapek noted alongside the Q4 numbers that nearly a third of guests at Walt Disney World Resort in Florida, where the system is being trialled, had signed up for the app.

The danger is that, by pushing too hard and making visitors pay for lots of little extras, they could alienate some people entirely, depressing overall numbers.

Ultimately though, the appeal of Disney's content and characters, reinforced by real-world experiences at its resorts, should stand the business in good stead for the longer term, even if 2021 has turned out to be a difficult year. We still rate the shares as a good long-term investment. [MGam/TS]

What Shell's corporate restructure means for UK shareholders

Oil major could soon have a single class of share and a streamlined name

The decision by **Royal Dutch Shell (RDSB)** to tidy up its corporate structure has gone down well with the stock market.

It means that Shell will no longer have two classes of shares, currently A and B, and it will have a more streamlined corporate name.

Formed as a combination between Netherlands firm Royal Dutch Petroleum and the UK's Shell in the early 20th century, the company has been incorporated in the UK with Dutch tax residence and a dual share structure since 2005.

The A shares are subject to 15% Dutch withholding tax on dividends and the B shares are exempt from this levy.

The plan will be put to vote at a meeting on 10 December and assuming it is approved by a 75% majority 'Royal Dutch' will also be dropped from the name.

The new single class of share (minus the withholding tax) will continue to be listed in Amsterdam, London and New York.

The primary listing will be on the London Stock Exchange meaning the stock will remain eligible for the FTSE 100. The simplification process should also make it easier for Shell to use its shares in acquisitions.

In 2018 another firm with Anglo-Dutch heritage, consumer goods giant **Unilever (ULVR)** flirted with shifting its domicile to the Netherlands, a move which would have seen it surrender its eligibility for inclusion in the FTSE indices. It backed down in the face of a significant investor backlash. [TS]

UK to see 24 stocks added to important global market index

Changes to the MSCI Global Small Cap index will require tracker funds to buy incoming stocks

A WIDE RANGE of UK stocks are set to benefit from inclusion in the MSCI Global Small Cap index when it rebalances at the end of the month. Tracker funds that follow the index will be forced to buy the newly qualified stocks.

The MSCI Global Small Cap index captures small cap representation across 23 developed markets. With 4,419 constituents, the index covers approximately 14% of the free float-adjusted market capitalisation in each country.

Within the EMEA region (Europe, Middle East and Africa), the UK accounts for 24 new stocks being added to the index. This compares with 13 for Germany, 11 for Sweden, nine for Israel and smaller amounts for Italy, Saudi Arabia, Switzerland, Russia and Belgium.

In contrast, the biggest additions elsewhere in the world include the US, which will add 166 stocks to the index, and India which adds 69 stocks. Japan will see 80 securities deleted from the index and 23 added.

UK stocks joining the index include insurer **Direct Line (DLG)** and food delivery platform **Deliveroo (ROO)**. While these are considered mid to large cap stocks in the UK, their approximate £4 billion to £5 billion market values are often considered small caps in other markets. [MGar].

Investors celebrate Diageo's ambitious growth targets

Hospitality stocks also toast the return of punters as restrictions are eased

Diageo aims to boost its share of the global alcoholic drinks market by 50% by 2030

Shares in drinks-maker **Diageo (DGE)** hit a new all-time high of £39.48 this week after the firm released an ambitious set of sales targets reaching from the current financial year out to 2030.

Chief executive Ivan Menezes said: 'We believe our sales growth trajectory has accelerated, underpinned by the strength of our advantaged position across geographies, categories and price tiers,' adding he still saw 'significant headroom for growth'.

SETTING THE BAR HIGH

For the first half of the current financial year, which began in June, the Johnnie Walker scotch to Tanqueray gin producer is now targeting organic net sales growth of at least 16% and even faster organic operating profit growth.

In the medium term, that is from June 2022 to June 2025, the firm expects organic net sales growth to moderate to a range of between 5% and 7%, with organic operating profit growth expected to be between 6% and 9% per year.

Looking further out, the firm wants to raise its share of the global alcoholic beverage market from 4% in 2020 to 6% by 2030, in other words a 50% increase.

Nick Train, manager of the **Finsbury Growth & Income Trust (FGT)**, is a long-term supporter of the firm, which is the top holding in the trust.

'We want more luxury, more premium, more pricing power in the portfolio. With each passing year, more of Diageo's growth and value is accounted for by its super-premium and premium brands,' says Train.

GOING OUT IS IN AGAIN

As well as a resilient off-trade, Diageo has benefitted increasingly from the recovery in the on-trade as pubs and bars have reopened.

Despite the challenges with getting staff, the hospitality industry is back to pre-pandemic levels of activity in many areas as people revert to spending on 'experiences' instead of 'stuff', as they did during lockdown.

Pub group **Young & Co's (YNGA:AIM)** almost trebled its turnover in the six months to September thanks to summer cocktails, Sunday roasts and its new Burger Shack menu which have drawn in more customers.

Café-bar operator **Loungers (LGRS:AIM)** enjoyed like for like sales 26% higher than pre-pandemic levels from mid-May to the start of October, while restaurant, pub and leisure firm **Restaurant Group (RTN)** has just raised its full year earnings forecast this year thanks to better than expected trading since its half-year results.

There have also been positive updates from leisure operators **Brighton Pier (PIER:AIM)** and **Hollywood Bowl (BOWL)**, and restaurant groups **Fulham Shore (FUL:AIM)** and **Various Eateries (VARE:AIM)**. [IC]

Disclaimer: The author owns shares in Finsbury Growth & Income Trust

Buy BlackRock Smaller Companies at a bigger than usual discount

Investment trust has an excellent returns track record and ticks ESG boxes

UK investors have witnessed a steady if unspectacular pandemic recovery for UK shares in the main. But some parts of the market have bounced further and faster, and the **BlackRock Smaller Companies Trust (BRSC)** is a great way to tap into the strength of the UK smaller company universe at a larger than usual discount to net asset value.

In 2021 the FTSE Small Cap index has risen 22% while the FTSE 250 is up nearly 15%. The FTSE 100, by contrast, has gained less than 12%.

BlackRock Smaller Companies Trust has an enviable long-term track record. It is in the top quartile for performance over the past five years, returning 156.7% versus 98% from the UK Smaller Companies sector.

Morningstar calculates that the trust's shares have returned an average 18.8% a year over the past decade, versus the rough 14% of UK small cap stocks. Putting that into context, investors who put £5,000 into the trust in November 2011 would today own a stake worth £27,998, nearly £10,000 more than the £18,536 if spread across all UK small cap stocks.

BLACKROCK SMALLER COMPANIES TRUST

BUY

(BRSC) £20.10

Trust size: £1 billion (net assets)

Not all this performance is down to current manager Roland Arnold. He took over running the trust in May 2018, but he is developing a good name for himself given his returns so far.

Arnold's success stems for a strict investment strategy that ensures his companies meet five key criteria. These primarily centre on quality and growth elements that the manager sees as largely symbiotic. He strongly believes that high quality management, for instance, is key in driving business growth, an opinion he shares with top-rated fund managers like Nick Train and Terry Smith, for example.

This is also a fund that ticks the right boxes for environmental, social and governance factors, with Arnold seeing ESG analysis as a natural extension of the trust's investment process. The manager is particularly concerned with the sustainability of a company's growth, and he works alongside the BlackRock Investment Stewardship team to

Trust's top 10 stakes

	% of fund
Watches of Switzerland	2.4
Impax Asset Management	2.3
Treatt	2.0
CVS	1.9
Auction Technology	1.8
IntegraFin	1.7
Stock Spirits	1.7
Oxford Instruments	1.7
4imprint	1.7
Breedon	1.7

Table: Shares magazine • Source: Trustnet, 30 September 2021 • Created with Datawrapper

Five point stock selection

- Management quality and management's strategy for future growth
- Market position and assessment of business strengths and weaknesses relative to competitors
- Track record of consistent growth
- Good conversion of earnings to cash
- Robust balance sheets and a strong financial position

Source: BlackRock • Created with Datawrapper

assess this factor.

Despite the rigorous selection process the BlackRock Smaller Companies Trust is widely diversified. It typically has around 120 stocks from across the stock market sector spectrum. For example, luxury time piece seller **Watches of Switzerland (WOSG)** is its largest holding (at 30 Sep), followed by ESG investor **Impax Asset Management (IPX:AIM)** and **Treatt (TET)**, the £680 million ingredients firm.

Stocks are drawn from the FTSE 250 to AIM, while fast-growing technology companies are also represented, including online auctions platform **Auction Technology (ATG)** and science tools maker **Oxford Instruments (OXIG)**.

In June, shareholders voted in favour of the trust removing the limit on the level of AIM investments that could be held in the portfolio.

'This change was prompted by the strong performance of the company's AIM holdings over

recent years which had resulted in an increase in the portfolio's aggregate exposure to AIM to just under the previous limit of 50% of the portfolio by value,' says BlackRock.

'The board did not consider it to be in the best interests of stakeholders for the manager to be required to dispose of these AIM stocks solely as a result of movements in market value and was keen to ensure that the company had access to a full range of investment opportunities.'

The focus is very much on capital growth over the medium-term but that does not mean income is ignored.

The board has historically made clear that it recognises the role of dividends in boosting total return for shareholders and payouts have increased by 16.6% a year on average over the past decade.

That said, investors should be aware that the prospective dividend yield is just 1.65% so this is not really a fund for investors who rely on income.

Ongoing charges are currently 0.8% a year, which we think is reasonable for an actively managed fund. Kepler's analysts believe the trust consistently adds value through stock selection and use of debt or gearing, as it is often called.

BlackRock Smaller Companies currently trades at a 6.5% discount to NAV compared to a 4.7% average over the past 12 months, according to Winterflood. Less than a year ago the trust briefly traded on a 2% premium to NAV, meaning that investors can currently snag a bargain price in both absolute and relative terms.

Investors buying now could see a double-whammy – they could benefit from portfolio's discount narrowing and they could benefit if the fund manager picks the right stocks that help to grow the overall portfolio value.

This is a great play on the exciting UK small caps space for investors wanting a little hand holding from an expert. [SF]

BlackRock Smaller Companies

Source: Refinitiv • Created with Datawrapper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Buy neglected logistics play DX as it delivers on growth

The focus has shifted from cost cuts and recovery to expansion and profit

Established in 1975, logistics, freight and courier firm **DX (DX.:AIM)** has been on a journey over the last few years to reduce costs and address legacy issues.

That process is now complete and the firm is in growth mode with a strong pipeline of investments in the business so that it can 'explode off the page' as chief executive Lloyd Dunn explained to *Shares*.

The company is a key player in both the business-to-business and business-to-consumer UK delivery markets through its DX Freight and DX Express divisions.

The Freight business ranges from one-person 'man and van' deliveries, where it has a 15% market share similar to firms like TNT, all the way to warehouse and transport solutions with a fleet of heavy goods vehicles and warehouses.

The Express business includes a courier parcel service, secure delivery of sensitive documents and a dedicated member-to-member service providing next-day delivery within the legal, financial and public sectors.

Overall, the UK parcel market is worth around £7 billion per year, with DX accounting for around 1.5% of deliveries, and growth is running at 10% or more per year.

However, competition is fierce with players like TNT, UPS, Fedex, DPD, Hermes and **Royal Mail Group (RMG)** all vying for business. DX has differentiated itself with a focus on small and medium businesses and high levels of customer service.

DX
BUY
(DX.:AIM) 30p
Market cap: £172 million

Over the next few years DX is spending more than £20 million on improving its network, adding 15 new depots and upgrading existing sites, and investing in technology to improve the customer experience.

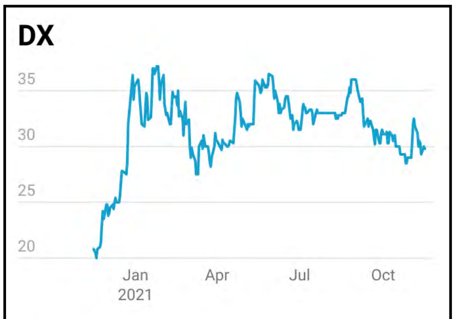
The firm has managed the current supply chain disruption and driver shortage and has been able to pass on higher costs to customers due to its quality of service.

The combination of higher revenues and better operating margins, thanks to embedded efficiency and productivity gains, means earnings are set to rise rapidly while strong cash flow generation helps to pay for further investments.

Yet curiously, DX shares are trading at a quarter of their value in 2017 when Dunn took over to begin the turnaround. As analyst Gerald Khoo at Liberum flagged after the firm's forecast-beating first half results, neither the improvement in margins nor the potential for double-digit earnings growth are being priced in.

This view was echoed by FinnCap's director of research Guy Hewett, who noted DX is on a lower rating than its peers despite offering an average of 30% annual earnings growth over the next two years, nearly three times that of its rivals.

While this could be a hangover from the company's poor record following its 2014 IPO, we think further evidence of its improved prospects will drive a re-rating from a 2022 price to earnings ratio, based on Liberum's forecasts, of 10.8 times. [IC]



Source: Refinitiv • Created with Datawrapper

MARKS & SPENCER

(MKS) 237P

Gain to date: 32.8%

Original entry point:

Buy at 178.5p, 2 September 2021

HIGH STREET INSTITUTION **Marks & Spencer (MKS)** seems to be back in fashion with investors after it posted strong results for the first half of its financial year and significantly raised its full year outlook last week.

The group, which has been in turnaround mode for almost as long as anyone can remember, posted turnover for the six months to the start of October up 5% on the prior year to £5.1 billion.

The main driver of the increase was a 10.4% rise in food sales, which excluding hospitality and franchises rose an even more impressive 16.9% year on year.

Meanwhile, clothing and home sales were just 1% lower, helped by a stunning 17.3% increase in full price sales and fewer promotions, with online sales growing by more than 60%.

Even more pleasing, the clothing and home business grew its operating profit by more than 40% after its latest makeover.

As a result of these strong sales performances, pre-tax profit came in at £187 million against a forecast loss of around £10 million and a prior-year loss of £67 million.

Chief executive Steve Rowe was keen to manage expectations. 'Given the history of M&S we've been clear that we won't overclaim our progress,' he said.

However, he added: 'The hard yards of driving long term change are beginning to be borne out in our performance.'

There was further good news, with management pointing to 'demonstrable scope for further improvement' in the core business and raising its outlook for full year pre-tax profit to around £500 million compared with its August guidance of £300 million to £350 million and a consensus forecast of £435 million.

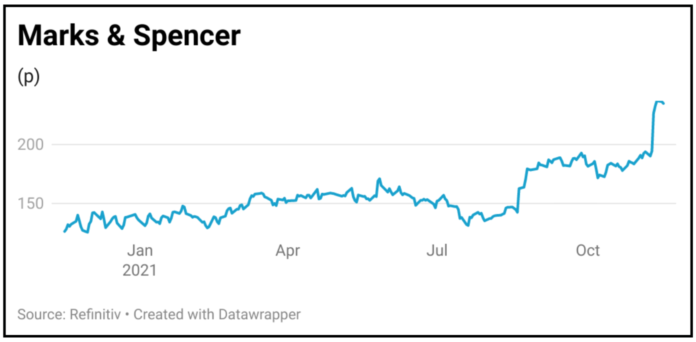
Once again, the firm tempered the better outlook with a reference to supply chain

pressures and tax increases which mean 'the cost incline becomes steeper in the second half and steeper again in the 2022/23 year'.

It also revealed that while it had clearly rebounded from the pandemic, it was still investing heavily to increase its market share in food and profit margins in home and clothing, meaning a return to regular dividends was 'unlikely in the current year'.

Shareholders were in the mood to celebrate, however, sending the shares up 15% on the day and continuing to push them higher over the rest of the week.

Clive Black, head of research at Shore Capital and a well-respected watcher of retail stocks, promptly raised his 2021/22 profit forecast by 40%, likening the company's two earnings upgrades this year to London buses. 'You wait ages for one and another comes along right behind, and a double-decker at that.'



SHARES SAYS: ↗

It looks like M&S's turnaround is bearing fruit, stick with it. [IC]

AVON PROTECTION
(AVON) £11.15

Loss to date: 59%

Original entry point:
Buy at £26.94, 29 July 2021

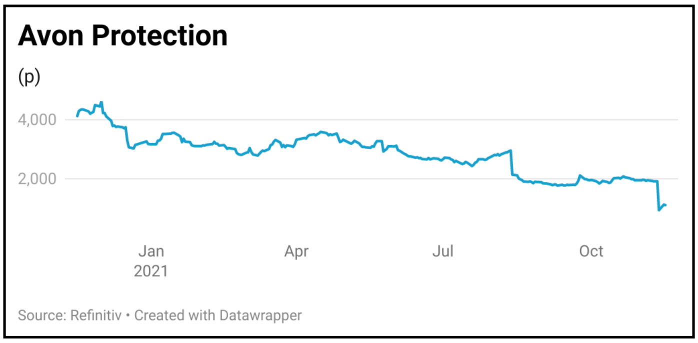
THE LATEST warning from protective equipment firm **Avon Protection (AVON)** leaves us with egg on our faces having made the initial buy call in July and then doubled down in August when the company delivered its first revenue warning.

Things got even worse on 12 November as Avon revealed new delays on orders for its body armour business and announced a strategic review of the division.

The statement hinted at big impairments to results for the 12 months to 30 September 2021, which will now be announced in early December rather than the scheduled 23 November. Body armour revenue for the September 2022 financial year is expected be well below the previously guided $40 million.

Investment bank Jefferies estimates that body armour accounts for around 15% of group sales and suggested up to 10%-to-15% of its forecast group earnings could be at risk in the September 2022 and September 2023 financial years.

This is the latest in a series of setbacks which have seen the shares retreat to less than a quarter of the record highs achieved in October 2020.



SHARES SAYS: ↘

We're ducking out given that management's credibility is shot, there could be a potential material change in the business, and the risk it makes expensive acquisitions to revive growth. [TS]

BURBERRY
(BRBY) £19.65

Gain to date: 20.3%

Original entry point:
Buy at £16.34, 19 Nov 2020

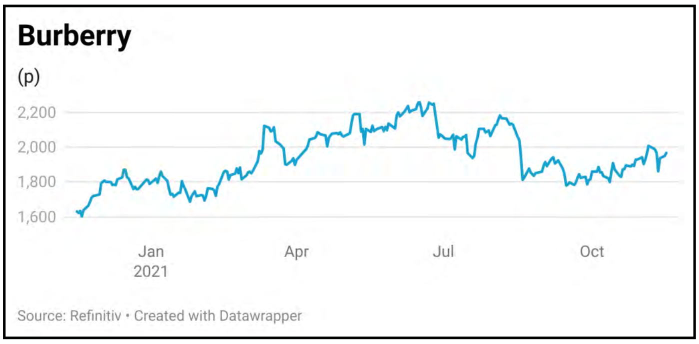
OUR BUY CALL on **Burberry (BRBY)** is 20.3% in the money, although shares in the British luxury brand took a tumble on first half results (11 Nov).

The leather goods, jackets and shoes seller reinstated the interim dividend at 11.6p after reporting a jump in pre-tax profits as sales returned to pre-pandemic levels. Burberry said full-price sales are growing at a double-digit percentage rate, driving margin expansion and strong free cash generation.

Yet while the Americas, China and South Korea delivered strong double-digit growth versus the comparable pre-Covid period, reduced tourist levels are weighing on the EMEIA (Europe, Middle East, India and Africa) region. Ongoing travel restrictions are limiting tourist flows, although this headwind could pass as restrictions are relaxed and assuming well-heeled Asian tourists return to Europe in numbers.

Encouragingly, Burberry is seeing an acceleration in performance in countries less impacted by travel restrictions and remains comfortable with current year market expectations. Medium-term guidance for high single-digit top line growth and 'meaningful margin accretion' remains intact too.

The pricing power conferred by its strong brand means the company can contend with inflationary pressures.



SHARES SAYS: ↗

Burberry is still a buy. [JC]

Why PayPal's stock market kicking leaves a recovery opportunity

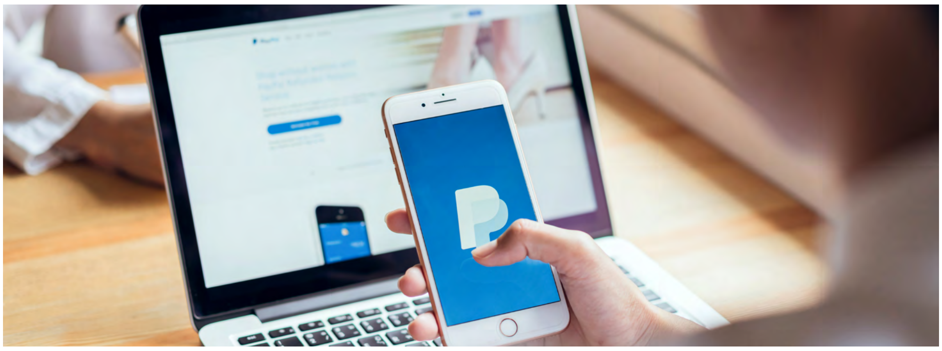
Pinterest concerns have now subsided while Venmo/Amazon deal is very positive

Growth worries have put the brakes on PayPal's exceptional share price progress since the summer, but we believe that a major cloud has been lifted recently that could spark a recovery.

San Jose-based PayPal is probably the most familiar online payments platform to readers. It was the first digital payment company of scale and remains the world's dominant digital wallet provider with more than 30 million online merchants signed up, at least twice that of Facebook, now called Meta.

But after missing third quarter revenue forecasts and giving underwhelming fourth quarter to 31 December 2021 and 2022 guidance, hard growth questions are now getting asked and many investors have been selling. PayPal reported revenue of $6.18 billion versus $6.23 billion expected. Earnings per share came in at $1.11, after adjustments, compared to $1.07 forecast by analysts.

Shares in PayPal fell 12% in the days following the announcement on 8 November and out of the top 10 stakes of long-time fan **Blue Whale Growth Fund (BD6PG78)**. It now has its lowest ever PayPal allocation at less than 2% of its £1.1 billion assets, confirmed



manager Stephen Yiu.

'We are reviewing our position,' he told *Shares* in the wake of the announcement.

PayPal does remain among **Fundsmith Equity's (B41YBW7)** top 10 holdings, as of 12 November 2021.

SOCIAL MEDIA SMOG

One dark cloud that has hovered over PayPal has been speculation that the payments company was mulling spending up to $45 billion to buy social media platform Pinterest. 'I can see why it would do it,' said Yiu, but multi-billion dollar acquisitions is not what Blue Whale signed up for. 'The game has changed,' the fund manager said.

Blue Whale was among many sceptical investors that were left cold by an expensive purchase of Pinterest. PayPal shares fell 11.5% in three days after the possible deal surfaced, a sign that investors doubted its wisdom.

PayPal was said to have seen Pinterest as a unique opportunity to connect with customers sooner in the shopping process, but because the two companies hadn't nailed down a deal when the story leaked in October, it left the payments company in the awkward position of not being able to explain its rationale for the acquisition to shareholders.

The question of rationale is now redundant after PayPal said in a subsequent statement that it was 'not pursuing an acquisition of Pinterest at this time'.

Alternative acquisitions could emerge in time but for now it leaves PayPal to concentrate on its organic growth opportunities. On this front there was good news in the third quarter update from Venmo. It is another PayPal payments platform that was targeted at millennials in the mobile and social media space, one used to seed the next generation of PayPal users.

It looks like Amazon also wants to use Venmo to attract younger shoppers after the pair struck an agreement that allows Amazon shoppers to check out using the payments app from 2022. 'This is obviously a very significant effort in our Venmo monetisation efforts,' PayPal chief executive Dan Schulman said of the agreement.

BREAKING NEW PAYMENTS GROUND

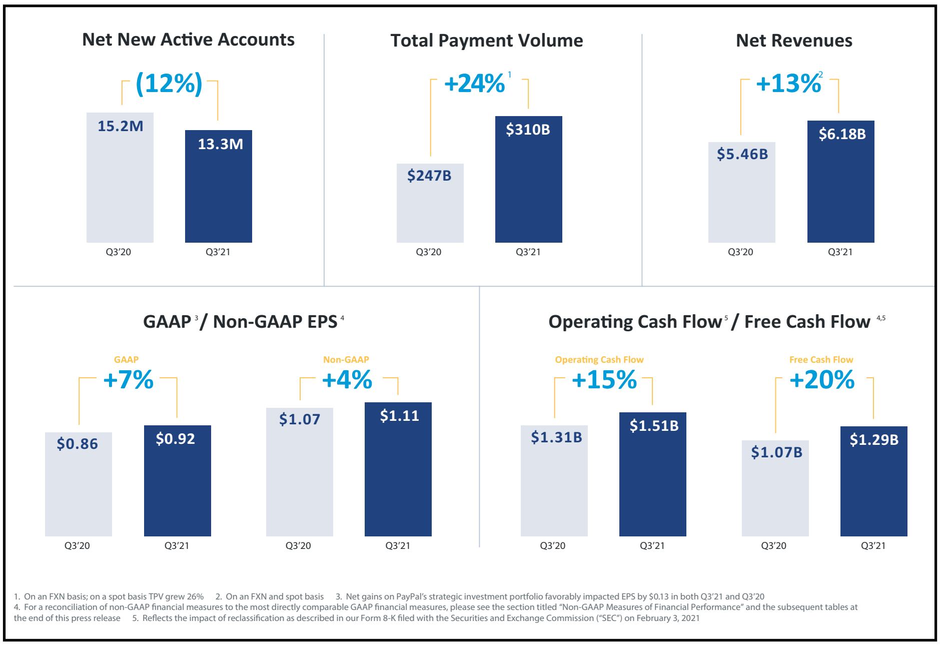
This is landmark stuff, according to Stephen Yiu. 'Amazon has never done payment partnerships - it has always required credit and debit cards or its own Amazon Pay app,' the Blue Whale manager said.

Venmo has more than 80 million users in the US.

The Venmo app deal with Amazon comes as PayPal prepares for an eBay-less future. Six years after the companies split apart, eBay is in the process of transitioning sellers off PayPal and onto its own payment system. PayPal said volume on eBay marketplaces dropped 45% in the quarter and now represents less than 4% of revenue.

PayPal remains highly ambitious. It had 416 million users in total at the end of September this year and is aiming to almost double that base to 750 million by 2025 or 2026. Deeper expansion in established US and European markets will be important, but the big growth drivers remain China and India.

Key operating and financial metrics: Paypal Q3

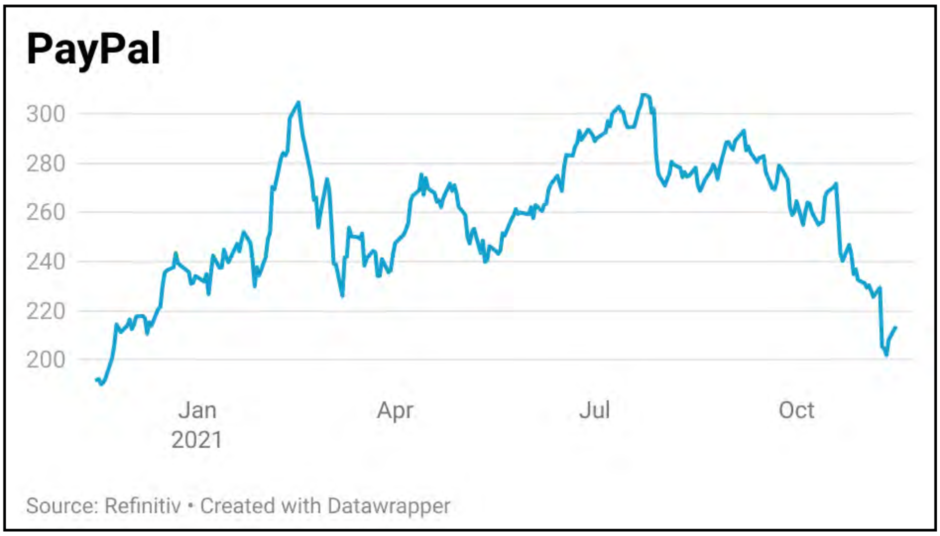


Source: PayPal

That's a big ask, believes Blue Whale's Stephen Yiu, and potentially means adding millions of consumers that will be of lower value to PayPal. The implications of this for the company's rough 21% net profit margins forecast for the current year remains unclear, but it is another reason to pause for thought, in the fund manager's eyes.

Yet having fallen from a record $308.53 in July 2021 to the current $208.30, we believe the share price may be over-egging the doubts and not giving fair credit to PayPal's ongoing opportunities.

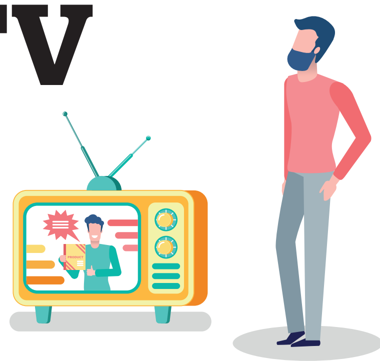
Consensus forecasts call for earnings growth of 16% next year before a return to the mid-20s in 2023, implying $5.40 earnings per share and $6.81 from the $4.61 anticipated for the full year 2021, for a 2022 price to earnings multiple of 38, falling to 30.5 the year after.



Disclaimer: The author Steven Frazer owns shares in Blue Whale Growth Fund and Fundsmith Equity

By **Steven Frazer**
News Editor

ITV benefits from TV advertising revival



Broadcaster's third quarter update reveals it is on course for record TV ad revenue in 2021

The latest figures from free-to-air broadcaster **ITV (ITV)** have challenged the accepted view that linear television (where the viewer can only watch the programme scheduled by the broadcaster), is undergoing a period of rapid structural decline.

It has been suggested that the trend for a younger demographic, in particular, to tuen to streaming platforms instead threatens the economic viability of linear television as it caters to an ever-dwindling audience, thus reducing its appeal as an advertising medium. However, this view appears to be at odds with the direction of travel apparent in ITV's third quarter update (10 Nov).

This indicates a real renaissance in television advertising, rewarded by a plethora of analyst earnings upgrades and an 11% jump in the share price.

ITV'S STRONG RECOVERY

ITV reported a strong recovery from the pandemic. It now anticipates annual advertising revenue growth of 24% to a record level. Significantly the level of growth compares with analysts' forecasts for 17%. This new guidance implies a rise in the 2021 consensus earnings per share figure from 13p to 15p.

Another positive facet of the results was the third quarter revenue figure of £833 million, which was significantly ahead of analysts' expectations.

The nine-month revenue figure for both its broadcasting and studio production business was better than both 2020 and 2019, helping to balance out the reliance on more volatile ad revenue.

Looking forward, a strong 2022 for media and sporting events including the Football World Cup, Winter Olympics and Commonwealth Games is likely to help sustain the momentum on the advertising side.

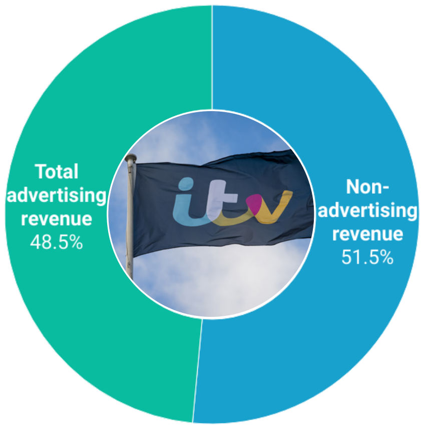
In commentary on the third quarter numbers, Liberty Sky Advisors media analyst, Ian Whittaker makes an insightful comment regarding the unexpected vibrancy of linear television. 'The focus on AVOD (advertising video on demand), can hide what was obviously a bounce-back in the linear TV product....which looks to have been up in the low to mid 20's year over year over the nine months.

'This is a sign that the product still remains of relevance to advertisers while AVOD allows advertisers to tap into digital budgets.' Online sectors including food delivery and car-retailers have been particularly influential in driving demand for television advertising.

This was reflected in recent comments from Darren Bentley, chief customer officer at on-line car retailer Cazoo. 'TV advertising is a critical part of our marketing strategy,' he noted. 'By investing heavily in TV right now, we can grow brand awareness and trust quickly, generate significant short-term sales, and know that business will also reap the longer term benefits that only TV advertising provides.'

Where did ITV's revenue come from in nine months to 30 Sep '21

Non-advertising revenue
Total advertising revenue



Source: ITV • Created with Datawrapper

LINEAR TELEVISION STILL ACCOUNTS FOR THE BULK OF ITV VIEWING

Linear TV still accounted for more than 95% of ITV's total viewing hours in the nine months to 2021. A couple of factors have contributed to this marked revival in the appeal of TV advertising.

First, inflationary pressures, according to Whittaker are 'forcing companies to advertise, as they push up prices' and 'continued funding of new start-ups (the global level again reached a new high in Q3 2021)' are also helping to boost demand for TV ads.

Second, there are tentative indications that television advertising is starting to benefit from the difficulties impacting social media companies post Apple's IFDA changes (as part of its IOS 14 update, Apple has given users the option to block the identifier for advertisers at the app level). This means the IOS 14 update will require apps to ask users for permission to collect and share data.

TAKING SHARE BACK FROM ONLINE PLATFORMS

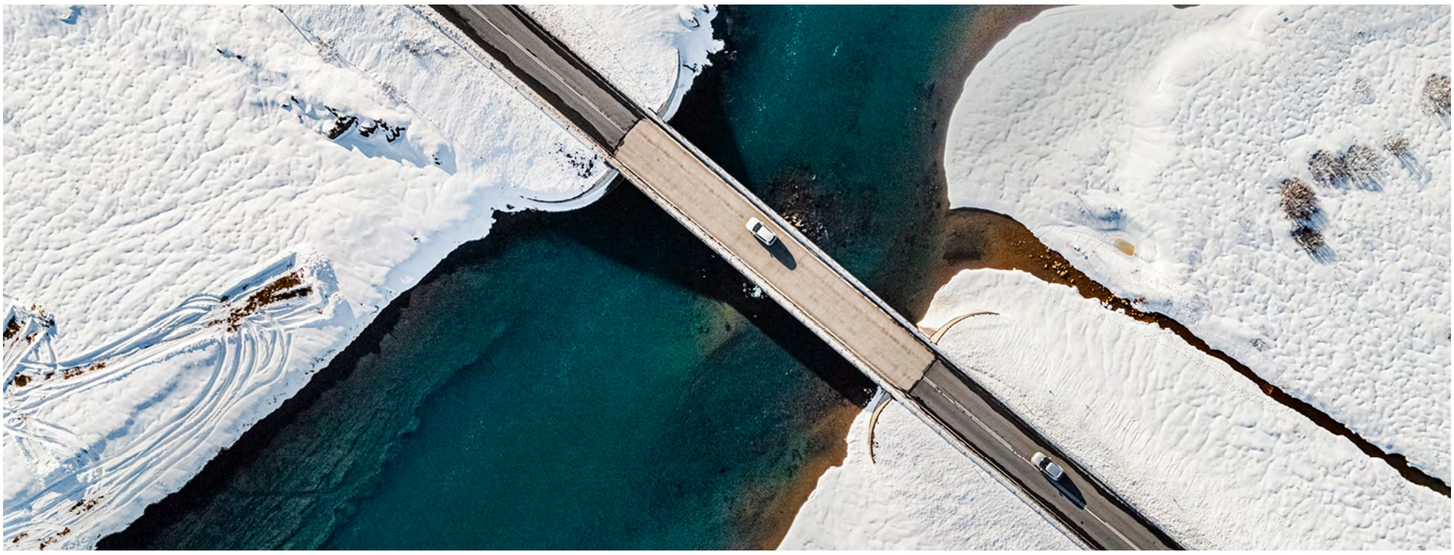
This has potentially negative implications for the advertising revenue of social media platforms that have been reliant on direct response advertising (a type of marketing designed to illicit an instant response by encouraging users to take a specific action).

In their recent third quarter results both Facebook and Snap revealed that their direct response advertising had been hit by the changes introduced by Apple. If this trend persists then ITV could witness a longer-term recovery in television advertising revenue as advertisers shift their budgets towards both linear TV and ITV's AVOD offering.

There is also the benefit for advertisers that its products will be pushed alongside heavily curated content where the risk of being associated with anything potentially controversial or harmful which could damage their brand is significantly less than on the internet.

By **Mark Gardner**
Senior Reporter

One year on from successful merger, Murray Income keeps an eye on the long term



By Charles Luke, Investment Manager, Murray Income Trust PLC

- November 2021 marks a year since the merger of Murray Income Trust with Perpetual Income & Growth Investment Trust
- It is also a year since Pfizer's announcement of promising phase 3 vaccine trials started a slow return to normal
- Amid noisy markets, Murray Income has sought to keep an eye on the long term and maintain balance

A year ago, Pfizer's announcement of promising phase 3 vaccine trials brought the welcome prospect of a return to normal. It has been a slow process, however, with many bumps along the way.
In a changeable and uncertain environment for financial markets, it has been important to resist the temptation to react to short-term noise – on interest rates, on inflation and on the virus – but instead, to keep an eye on the long-term and maintain balance.

There has been a lot to distract investors over the past 12 months. The immediate aftermath of the reopening post-lockdown saw a rally in many of the world's weakest stocks. These were companies that investors had previously thought would go bust. When it became clear they would survive, their share prices rallied. It may have been tempting to 'lean in' to this recovery, but those hoping for a more enduring rally in these difficult areas of the market were disappointed. Many of these companies still face structural problems even in an improving economy and could not sustain their early strength. Market leadership had changed again by the middle of the year.

Equally, throughout the year, it has become commonplace to say that the post-pandemic environment will be fundamentally different. Certainly, there are structural changes that will emerge, but much will remain the same. We do not see a changed outlook over the next 5-10 years for the majority of the companies held by the Trust and have resisted making significant changes to the portfolio in anticipation of an altered world. Where our portfolio has changed, it has tended to be because we have new ideas, rather than because the prospects for our holdings are different.

The importance of balance

The Trust has stuck to its knitting during this turbulent year. We

want to find companies that can grow their earnings over the long term, believing that this is ultimately what investors will value. This will be far more important than short-term changes in interest rates, inflation or economic conditions.

Most importantly, in an uncertain world, we aim not to be exposed to any one economic scenario. One of the lessons learned from the Company's 48 year track record of dividend growth is not to put all of our eggs in one basket. This year has shown the importance of diversification at an unpredictable time.

To help with that diversification, we continue to hold some international companies to diversify risk, such as **Novo Nordisk**. This international exposure can be helpful in certain industries, such as technology. We hold **Microsoft** in the portfolio for example. We also continue to find opportunities further down the market capitalisation scale – we currently have double the mid-cap weighting of the index.

The merger and beyond

November 2021 also marks a year since the merger of Murray Income with Perpetual Income & Growth and there have been some clear advantages for both existing and new shareholders. In boosting the assets to over £1 billion, the merger has improved liquidity in the Trust. Trading volumes are higher and the bid-offer spread has been reduced. Most significantly, the benefit of economies of scale has resulted in the ongoing charges ratio falling from 0.64% to 0.46%.

The case for focus on dividend growth is as strong as it has ever been. Academic evidence suggests that dividend growth is a key driver of equity returns. While the Bank of England has said interest rates will ultimately move higher, any rises are likely to be small and will not solve the income dilemma for investors. It will still be difficult to get inflation-beating returns from a savings account, or from government bonds. Equally, dividends remain the touchstone for the quality of companies. If a company is striving to grow its dividend, it should invest wisely and act prudently.

The UK still has one of the highest yields of any equity market. More importantly, those dividends are more resilient post-pandemic. Dividends have been rebased where dividend cover was stretched, ensuring that companies are not over-reaching to fund payouts to shareholders. Management teams are noticeably more confident on their ability to grow dividends over the longer-term.

Valuations are also more attractive in the UK market than elsewhere. While the UK market has recovered somewhat since the start of the year, it remains out of favour with international investors and there is scope for this to improve. UK companies should ultimately be recognised for their quality, their competitive advantages and their good governance. This is already being recognised by private equity buyers across the world. Within the portfolio, asset management services group **Sanne** and infrastructure provider **John Laing** have received private equity bids this year.

It has been an unpredictable year, where investor sentiment has bounced around. It has been vital to see through the noise and look to the long-term prospects for companies. A balanced portfolio that can steer a path through turbulent times should deliver a smoother ride for investors.

Companies selected for illustrative purposes only to demonstrate abrdn's investment management style and not as an indication of performance.

Important information

Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- Derivatives may be used, subject to restrictions set out for the Company, in order to manage risk and generate income. The market in derivatives can be volatile and there is a higher than average risk of loss.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Certain trusts may seek to invest in higher yielding securities such as bonds, which are subject to credit risk, market price risk and interest rate risk. Unlike income from a single bond, the level of income from an investment trust is not fixed and may fluctuate.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

Other important information:

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Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

Find out more at www.murray-income.co.uk or by registering for updates. You can also follow us on social media: Twitter and LinkedIn.
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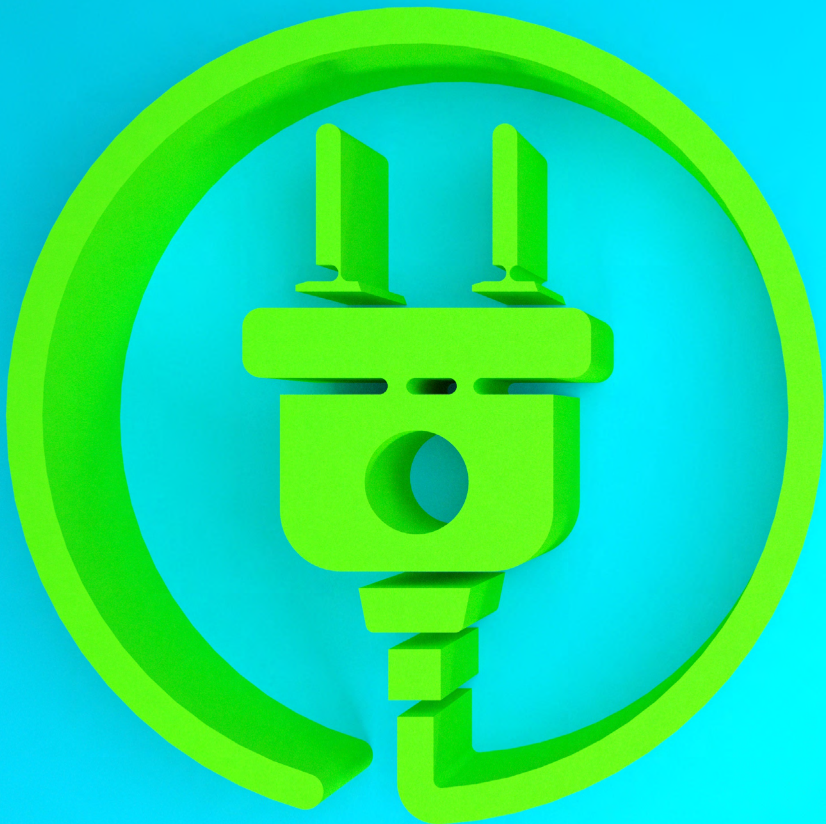
GREEN MACHINES



The ESG funds and trusts best placed to thrive

By **Ian Conway** Senior Reporter

In late September 2021, when the UK market had its most recent wobble, many ESG or 'sustainable' stocks and funds experienced a sharper sell-off than the FTSE All-Share index, prompting some to wonder if the boom in ethical investing had run its course.

Fast forward to today and the best of those ethical stocks and funds are trading at even higher levels than the start of September. Sustainable investing looks like it's not only here to stay, but it has the potential to deliver better returns than the index.

BUY ON WEAKNESS

When the market sold off, **Impax Environmental Markets (IEM)**, one of the oldest and most successful sustainable trusts, saw its shares drop nearly 10% from 544p to 491p in less than 10 trading days while the FTSE 100 and the All Share were down less than 2% over the same period.

Today the stock is trading back above 550p, meaning investors who stepped in and bought on the basis that the business hadn't changed but the shares were trading at a smaller than usual premium to net asset value have done rather nicely.

Similarly, shares in hydrogen economy company **ITM Power (ITM:AIM)** fell nearly 14% from 430p to 372p in less than 10 days yet they have not only recovered their prior levels, they recently closed above 509p.

NOT EVERYTHING GREEN GLITTERS

It's tempting to assume that everything 'green' and sustainable will have benefitted from the build-up to the COP26 climate conference, as a rising tide lifts all boats after all.

However, not everything has enjoyed the same degree of investor enthusiasm. After a good performance last year, most solar assets have failed to deliver in 2021, with the **Invesco Solar ETF (TAN)** posting a -3.5% net asset value and -3.9% share price return year to date.

Even worse, the **iShares Clean Energy ETF (INRG)** has registered a 13.5% drop in NAV total return this year. Some clean energy trusts have performed better, with **Foresight Solar Fund (FSFL)** generating a 7.7% return over the last 12 months and **Greencoat UK Wind (UKW)** breezing to a 10.5% gain, yet both pale by comparison with the less sectorially-constrained Impax Environmental Assets which has returned 43% over the past year.

WAS COP26 JUST A LOT OF HOT AIR?

Studies have shown that if global warming leads to a two degree rise in temperatures there could be a 15-fold increase in the number of people suffering from heat stress, a potentially fatal combination of heat and humidity. That's why one of the most significant developments from COP26 is the global agreement to try and limit global warming to only 1.5 degrees.

Another coup for the climate summit was the agreement by more than 400 banks, asset managers and insurance companies to align $130 trillion of private finance with science-based net zero targets and near-term goals through the Glasgow Financial Alliance, led by former Bank of England governor Mark Carney.

This means a phenomenal amount of money is going to be reallocated to green initiatives, both public and private, and is likely to mean an even greater focus by financial institutions on ESG and sustainability.

Other milestones included a pledge to reverse deforestation with commitments of $20 billion of public and private finance, and plans to speed up the development of 'green' hydrogen – produced with renewable energy rather than fossil fuels – to reduce carbon emissions produced by heavy industry.

NOT QUITE THE END OF COAL

COP26 also declared coal had been 'consigned to history', with five of the world's top 20 coal-using countries agreeing to phase out its use and major international banks committing to end all international public financing of new coal projects by the end of this year.

However, one of the big disappointments was that China, the world's biggest polluter and a major consumer of coal, mostly pushed back against calls to cut emissions more quickly and refused to sign pacts to reduce spending on fossil fuels.

While China has agreed to end overseas coal financing, at home it is still pressing ahead with new coal-fired electricity plants due to the soaring price of natural gas.

THE US IS LEADING THE CHARGE

The long-awaited $1 trillion US infrastructure bill has finally been passed by the House of Representatives, with $73 billion earmarked for clean energy projects such as electrifying public transport and cleaning up soil and groundwater in old mines and gas fields.

While this was lower than president Biden's campaign target of $100 billion, we can add tens of billions of dollars set aside for infrastructure spending which includes rebuilding America's electricity grid network and expanding clean energy production.

There is also $55 billion in funding to improve the country's water infrastructure, from replacing lead pipes to improving the quality of drinking water.

A second bill before the House proposes a sweeping expansion of social care as well as programmes to fight climate change, but with a price tag of $1.75 trillion negotiations are likely to be hard-fought.

'Generations from now, people will look back and know this is when America won the economic competition for the 21st Century,' said president Biden in a statement.

NET ZERO AS A GROWTH DRIVER

For many businesses, getting to net zero emissions by 2050 is going to be a tall order, but for many others it is actually a growth driver.

Engineering software firm **Aveva (AVV)** noted in its half year results that customer activity 'began to recover as both net zero projects and an improving general pipeline of greenfield asset construction projects started to build'.

As analysts at TechMarketView observed, 'Customer investments have been expected to boost tech suppliers' growth but this is probably the first time we have heard a supplier say net zero projects are an identifiable driver. We anticipate it will be the first of many.'

Sustainable fuel technology firm **Velocys (VLS:AIM)** announced last week it had signed a 15-year deal with Southwest Airlines of the US to supply 575 million blended gallons of net zero sustainable aviation fuel, starting in 2026.

At the same time, the firm said it had signed a 10-year deal with British Airways owner **International Consolidated Airlines (IAG)** to supply 73 million gallons of carbon negative sustainable air fuel. News of the two deals sent Velocys' shares 34% higher.

BEST AND WORST FUNDS AND TRUSTS

The divergence between the best and worst performing sustainable funds and trusts has been unusually wide over the last year. Even within the same stable, some funds have done much better than other for little discernible reason.

In the case of funds, what we notice is that barring **Baillie Gifford Positive Change (BYVGKV5)** the top performers are relatively small which means a surge in inflows may have sent their share prices up sharply.

The bottom performers on the other hand were a mixture of sizes but they had one thing in common: they were all bond funds, and with the move up in yields most corporate bonds have done poorly this year, sustainable or not.

In terms of trusts, again the biggest losers were fairly consistent in that they were all heavily exposed to renewable energy stocks with one exception.

The winners were more varied, with notable exposure to energy efficiency and industrial stocks rather than renewables. While, perhaps unsurprisingly now it is under the Baillie Gifford umbrella, **Keystone Positive Change (KPC)** is laden with US technology stocks.

Best Performing Sustainable Investment Trusts

Trust	LSE ticker	1-year change
Baillie Gifford Keystone Positive Change	KPC	45%
Impax Environmental Markets	IEM	43%
Menhaden Resource Efficiency	MHN	30%
Cambium Global Timberland	TREE	27%
Jupiter Green Investment	JGC	25%

Worst Performing Sustainable Investment Trusts

Trust	LSE ticker	1-year change
Bluefield Solar Income	BSIF	−1%
JLEN Environmental Assets	JLEN	−3%
Aquila European Renewables Income	AERS	−4%
Greencoat Renewables	GRN	−4%
Triple Point Social Housing	SOHO	−5%

Source: FE Fundinfo. Data correct as of 2 November 2021 • Created with Datawrapper

WHAT TO BUY

Rather than take a long shot and try to pick the sustainable stocks which we think will do the best ourselves, there are plenty of managers out there with the pedigree to do a better job. Also, using funds and trusts to invest in the theme brings the added benefit of diversification.

Therefore, we have picked two funds, one investment trust and one exchange-traded fund or ETF.

Stewart Investors Worldwide Sustainability Fund (B7W3061)

Fund size: **£845 million**

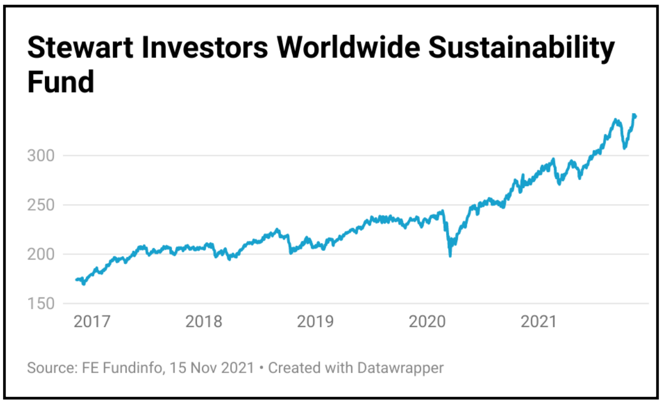
BUY

This fund aims for capital growth rather than income and only invests in shares of high-quality companies 'which are positioned to benefit from and contribute to the sustainable development of the countries in which they operate'.

Stocks are selected on the basis of their quality of management, social usefulness, environmental impacts, responsible business practices and solid financials, which mean they can invest to grow.

This 'does what it says on the tin' approach is a refreshing contrast to many higher-profile funds which claim to be ethical or sustainable but actually invest heavily in technology stocks and multi-asset funds which have half their exposure in government bonds.

The fund has beaten the MSCI All-Countries World Net index since inception and is having a good year, up 24% over the past 12 months. It is rated A for Responsibility by Square Mile, and the ongoing charge is 0.67%.



Pictet Global Environmental Opportunities Fund (B4YWL06)

Fund size: **€8.7 billion**

BUY

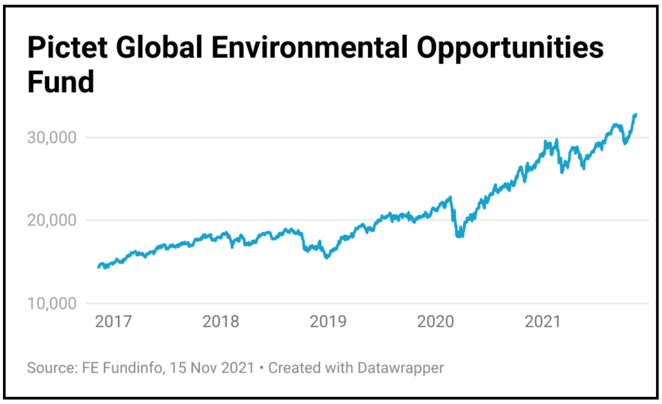
Coming from the same stable as the **Pictet Water Fund (B516BZ3)**, which we profiled recently, this fund pitches itself as a 'growth engine' for equity portfolios thanks to the long-term opportunities for companies with products and services which cut pollution and maximise resource efficiency.

Pictet typically run high conviction funds, and for its size this fund is unusually concentrated with just 53 stocks. What is more, the top 10 holdings account for nearly a third of the portfolio.

Like the Stewart Investors fund, it eschews the usual technology names, leaning instead towards design and automation software stocks which improve industrial efficiency. It also has sizeable weightings in healthcare, industrial and consumer stocks.

After a strong 2020, when it returned just over 30% against 12.7% for the MSCI ACWI Net Index in dollars, it is slightly behind the benchmark this year with a 12% gain to the end of October which makes this a good time to take a look.

The fund gets a Bronze rating from Morningstar along with five globes, its highest sustainability rating, and comes with a 1.1% ongoing charge fee.



Menhaden Resource Efficiency (MHN) 112p

Trust size: £91 million

BUY

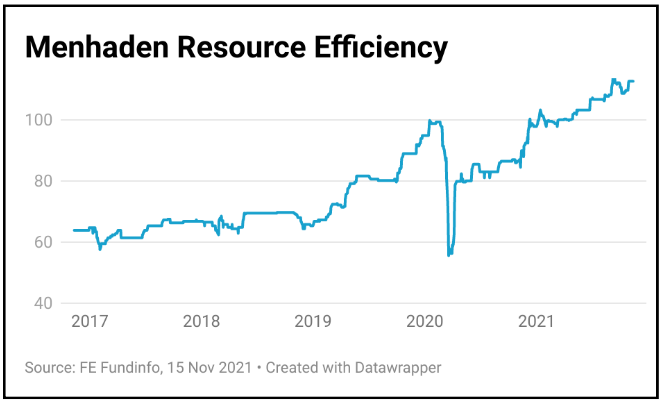
The trust aims to generate capital growth by investing in 'businesses and opportunities that are demonstrably delivering or benefiting significantly from the efficient use of energy and resources'.

Like many of its peers, its portfolio is heavily tilted towards US technology stocks with holdings in Alphabet, Charter Communications and Microsoft making up more than half of its assets.

The managers' rationale is that Alphabet and Microsoft are big users of renewable energy in their cloud and data operations, while Charter allows people to work from home, reducing carbon emissions caused by commuting.

However, while most tech-focused funds tend to trade at a small discount or even a premium, the trust is currently trading at a 29% discount to net asset value which means investors can own a combination of resource efficiency stocks and a chunk of US tech for almost a third less than it would cost to buy them in the market.

The ongoing charge of 2% is steeper than most of its rivals, and the trust isn't rated by Morningstar, but the team has done a good job of beating the benchmark over one, three and five years.



iShares MSCI Europe SRI ETF (IESG) £55.10

Size: £3.38 billion

BUY

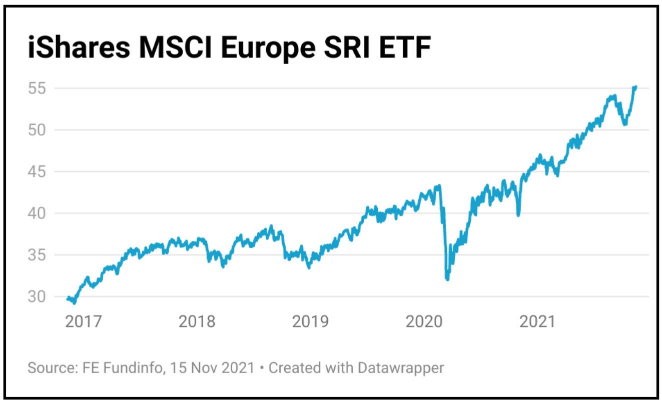
This is the daddy of UK-listed ESG exchange-traded funds with over £3 billion of assets making it extremely liquid for investors who want one-shot exposure.

The fund only invests in companies with high ESG ratings while avoiding firms which don't meet its value screens or have exposure to fossil fuels, whether that is through extraction, processing, power generation or the ownership of reserves.

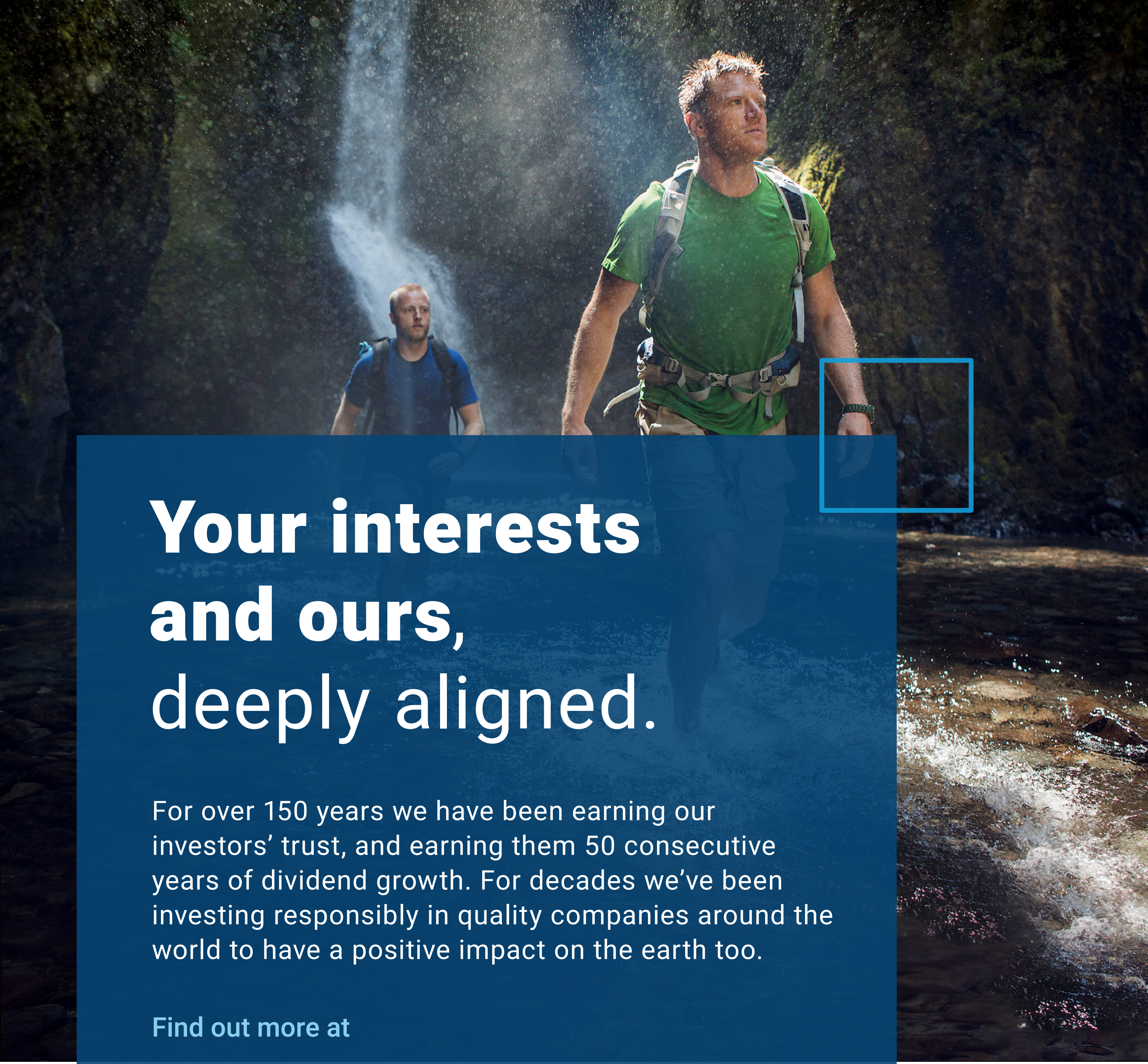
Top holdings include hardware and software stocks ASML and SAP, but the fund's overall weighting in technology is less than 10%. Instead, the top-weighted sectors are financials, healthcare and industrials.

The fund is pan-European and UK stocks make up 15% of the portfolio, just behind Germany and France and well ahead of Switzerland and the Netherlands.

The total expense ratio is 0.2%. The shares have gained 25% over one year and 57% over three years.



DISCLAIMER: The author Ian Conway owns shares in Impax Environmental Markets. The editor Daniel Coatsworth owns shares in Pictet Global Environmental Opportunities Fund.



Pod Point and Rivian: the investment case behind two new electric vehicle plays

They are looking to capitalise on a structural shift in driving methods

As the COP26 climate summit fades into the middle distance it is clear that a key component of global leaders' plans for reducing emissions is encouraging a big switch among businesses and individuals to EVs (electric vehicles). In the UK, sales of new diesel and petrol cars are already set to be banned from 2030.

The International Energy Agency forecasts the global stock of EVs will increase from 11 million in 2020 to 145 million in 2030 and will account for 7% of the world's fleet of road vehicles (excluding two or three-wheelers). Sales of new EVs are projected to hit 15 million by 2025 and 25 million by 2030 – 10% and 15% of all road vehicle sales worldwide.

This kind of growth will require a big effort on the part of EV manufacturers and the businesses behind the charging infrastructure required to power these electric cars, trucks and vans.

RIVIAN AND POD POINT JOIN THE MARKET

Earlier this month two new business listed on the stock market on opposite sides of the Atlantic and at either ends of the EV eco-system. Electric van and truck maker Rivian Automotive floated on Nasdaq to widespread applause with the shares initially priced above the top of the guide range at $78 before closing over $100 on its first day.

The business was briefly valued at more than $100 billion, comfortably eclipsing the valuation of established carmakers like General Motors and Ford.

Pod Point (PODP), the EV charging play, made a much quieter debut in London with its market valuation coming in lower than expected.

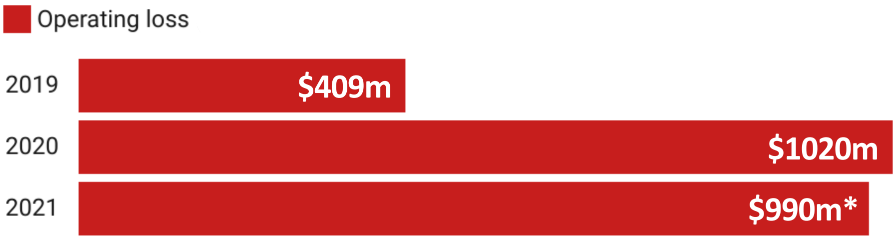
Something both businesses have in common is they are yet to make a profit. In this article we'll discuss to what extent that matters and the challenges and opportunities facing both businesses.

UNDER RIVIAN'S BONNET

Rivian was set up by engineer RJ Scaringe in 2009. It came to market with heavyweight backing in the form of Ford, which has an 11.3% holding, and online giant Amazon which has a 17.6% stake and has also put in an order for 100,000 EDVs (electric delivery vehicles).

From the start of 2019 to the

Rivian chalking up big losses



**2021 First six months figure*

Source: Rivian Automotive • Created with Datawrapper

end of June 2021, Rivian had chalked up losses in excess of $2.4 billion.

Starting with a blank sheet of paper as a manufacturer has its advantages, as unlike its peer group Rivian doesn't have the legacy of internal combustion engined-vehicles to deal with.

On the other hand, scaling up manufacturing capacity involves huge capital costs. The near $12 billion raised at IPO will certainly help, but it could be some time before Rivian reaches break-even point.

As at 30 September, Rivian had the Amazon order for 100,000 EDVs, which it hopes to fulfil by 2025, and nearly 50,000 pre-orders for its R1T pick-up truck and R1S SUV from customers in the US and Canada who each paid a cancellable and fully refundable deposit of $1,000.

With prices starting at $67,500, reviews for the R1T in trade press have been highly favourable. However, the company clearly needs to convert these 50,000 pre-orders into sales which may require patience on the part of potential customers given its current modest annual production capacity of just 150,000 units. As of 22 October, the firm had only built and delivered 42 R1Ts, mostly for existing employees.

The danger is that in the meantime rivals with existing capacity will swoop in and take prospective market share from Rivian.

DAN LOEB BULLISH ON RIVIAN

UK-listed investment trust **Third Point Offshore Investors (TPOU)** also has a stake in Rivian, and manager and noted activist investor Dan Loeb made some very positive comments on the stock in his latest commentary.

'Rivian stands out with a compelling brand, an excellent first vehicle, and a unique partnership with Amazon that allows them to scale quickly,' he said.

'They are taking full advantage of the direct-to-consumer model/digital ecosystem to attack the full lifetime revenue potential from vehicles rather than simply an upfront sale.'

SHOULD YOU BUY RIVIAN AND POD POINT SHARES?

Both firms are difficult to value as they operate in relatively immature markets and don't generate any profit, nor will they in the short term. Rivian's valuation is certainly punchy for a business which has only built a miniscule number of vehicles to date.

Judging by the trajectory of Tesla though, this would be no obstacle to Rivian enjoying continued share price momentum. However, it is worth monitoring the business closely for signs it can successfully scale up production and generate sufficient demand at its current price points.

Investors looking for lower-risk exposure to Rivian should by shares in Ford. As well as already generating plenty of profit and cash flow from its existing business, Ford also has a sizeable stake in Rivian and its own EV expansion plan is in the works.

We have reservations about Pod Point, which also trades at reasonably generous valuation (although not as lofty as Rivian) despite limited visibility on its road to profitability and a highly competitive marketplace.

We would suggest holding fire and keeping a watching brief on the stock for now. The firm's majority owner, French utility group EDF, may seek to sell down its sizeable stake in the future, potentially creating a more attractive entry point when the firm has established more of a track record as a public company and made more progress on its growth strategy.

Loeb's observations highlight Rivian's longer-term plan, which is to leverage its position by offering subscription-based services which can generate recurring revenue streams from its installed base of vehicles and also to move into areas like charging infrastructure.

POD POINT A HOME CHARGING LEADER

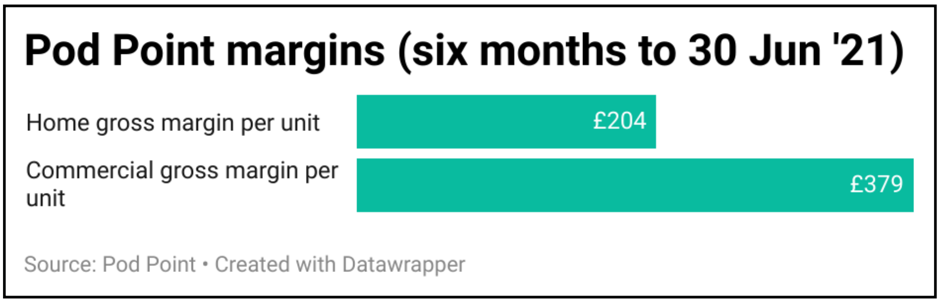
Pod Point is the UK market leader in at-home charging points with a 50% to 60% share and the second biggest player in workplace charge points with a share of between 10% and 20%.

The manager of **MFM UK Primary Opportunities Fund (B905T77)** Oliver Brown tends to run the rule over most initial public offerings given his fund's strategy of investing in companies when there is an opportunity to purchase shares through IPOs or secondary placings.

He admits he looked at Pod Point but opted to steer clear. 'I just couldn't get comfortable with the valuation,' he says, noting that analysts' forecasts suggest the company won't be cash positive until 2025. And even this inflection points relies on what Brown describes as 'slightly heroic' growth assumptions.

Brown also compares EDF's purchase price for a controlling stake in the business of £110 million in February 2020 with the current market valuation upwards of £350 million.

'I find it slightly difficult to accept the business has trebled in value in the last 18 months,' he says.



DIFFERENT CHARGING OPTIONS

While in theory electric vehicles can be charged directly from a home's mains electricity, charging points like those Pod Point installs do the job significantly quicker. Prices for its individual home units range from around £800 to £1,600, although government-backed subsidies are available.

There are two main types of charging point: AC and DC (not to be confused with a certain Australian rock outfit). Without getting too technical, the main distinction between these two pieces of kit is cost and, crucially, charging time.

Brown notes the installation cost of the faster charging DC units, likely to be in greater demand at public locations such as retail parks and motorway service stations, is approximately £130,000.

Pod Point makes its own AC units but sources DC charge points from third parties. In both cases the majority of these devices are Wi-Fi enabled.

It has agreements in place with both Lidl and Tesco, and since 2016 has been Volkswagen's recommended home and workplace supplier in the UK.

In 2020, just 1.7% of Pod Point's revenue was recurring in nature, derived from network fee payments from commercial customers and revenue-share each time a Pod Point charging point is used.

Brown says average utilisation rates on these charge points are only around 4% at present and are forecast to hit 35% by 2028, but as he points out there are clear risks to Pod Point's growth forecasts if utilisation rates do not follow this expected trajectory.

The UK charging market

Name	UK charge points	Business model	Routes to market
Pod Point	105,000	Install, charge point operator, owner and operate	Home, work, destination, en-route
bp pulse (owned by BP)	58,000	Install, own and operate	Home, work, destination, en-route
EVBox	8,000	Install, charge point operator	Home, work, destination, fleet
Chargepoint (owned by Royal Dutch Shell)	Limited		Home, work, destination, en-route

Source: Pod Point • Created with Datawrapper

RECURRING REVENUE FOCUS

Pod Point's success or failure may well hinge on its ability to generate material recurring revenues from the home charging market. It believes there are several ways to achieve this, leveraging the fact its Wi-Fi enabled charge points are connected to its back-end systems and therefore it is able to collect information on charging habits.

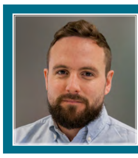
Areas Pod Point is targeting include energy monitoring services (for example, offering a tariff-switching service based on drivers' levels of energy consumption), host software services (allowing Pod Point's charge point hosts to set and manage charging tariffs for drivers) and electrical grid load management (supporting grid operators and generators in managing demand).

Brown notes revenue is forecast to grow rapidly, from £33.1 million in 2020 to £90 million in 2023, and says that he wouldn't rule out investing in the business one day, potentially when or if EDF looks to sell down some of its 50%-plus stake.

Another consideration is the competitive landscape where Pod Point has established a very healthy but not unassailable market position.

Both **BP (BP.)** and **Royal Dutch Shell (RDSB)** have their own EV charging operations, a large footprint and decades of experience in serving motorists as well as much greater financial resources and incentives to invest in this space as they look to transition away from fossil fuels.

On the flipside this could make Pod Point an attractive takeover target for these larger firms at some stage.



By **Tom Sieber**
Deputy Editor

How to put money into specific sectors with investment trusts

We look at trusts offering exposure to property, private equity, mining and technology

The simple option for investors these days is to choose a tracker fund which mirrors a certain part of the market. Therefore, actively managed funds really need to add value and deliver market-beating returns if they are to convince investors not to go for the easy option of a tracker fund.

There are numerous investment trusts offering broad exposure to specific geographies or investment styles like income or growth. Another benefit is their ability to provide access to specific sectors and there is plenty of choice available.

In this article we discuss some of the trusts on the market that provide exposure to commercial property, mining, private equity and technology. You'll also find some useful tables which give examples of trusts targeting other sectors.

UK COMMERCIAL PROPERTY

For investors seeking to gain exposure to UK commercial property, there are various investment trusts to consider. These include **BMO Commercial Property Trust (BCPT)**, which trades on a 23% discount to net asset value, the biggest in its sector, despite recording a 43% one-year share price gain.

The trust also offers a 4.3% dividend yield.

The significant discount to NAV may be due to its heavy exposure to offices and retail outlets that are viewed as being out of fashion in the post-Covid world of remote working and online retail.

The average discount in the sector is 12.2% according to Winterflood data, with only two trusts in this space trading on a premium to net asset value. These are **AEW UK (AEWU)** at 1.3% and **LXI REIT (LXI)** at 19.5%.

In general, discounts have started to narrow versus the 12-month average and among those seeing this trend is **Standard Life Investments Property Income Trust (SLI)**, currently trading 19.7% below the value of its net assets.

The 5% yielding trust has seen its share price rise by 29% over the past year and has a particular focus on industrial assets.

In a recent investor update fund manager Jason Baggaley explained that 'we have sold two more offices further reducing our exposure to (this part of the) sector. As a result of these disposals, offices account for just under 30% of the portfolio, while our weighting to logistics and industrials is slightly over 50%'.

PRIVATE EQUITY

HarbourVest Global Private Equity (HPVE) is one way for investors to obtain exposure to the private equity sector. It offers a diversified approach with an emphasis on holding other private equity funds.

At the end of July, the trust had 51% of its assets invested in primary private equity funds, with 28% in secondary assets and 21% in direct investments.

From a net asset value and share price performance perspective HarbourVest has a better track record than the other four private equity fund of funds listed in the sector. These are **BMO Private Equity (BPET)**, **ICG Enterprise (ICGT)**, **Pantheon International (PIN)** and **Standard Life Private Equity (SLPE)**.

According to Winterflood data, HarbourVest returned a one, three and five-year NAV performance of 47%, 84% and 127% respectively. This is significantly ahead of the corresponding sector averages of 38%, 66% and 108%.

HarbourVest's share price performance tells a similar story recording one, three and five returns of 53%, 94% and 141% versus sector average returns of 50%, 68% and 119% respectively.

MINING

BlackRock Word Mining Trust (BRWM) may be of interest to investors who are income focused and eager to gain exposure to the mining sector.

The trust is run by Evy Hambro and Olivia Markham who believe that the increased regulatory emphasis on pollution and carbon emissions will continue to generate opportunities for mining companies. For example, lithium, cobalt and nickel are all in demand given their use in batteries for electric vehicles.

BlackRock Word Mining Trust has outperformed its benchmark, the MSCI ACWI Metals and Mining Index, on a one, three and five-year basis. Moreover, for income orientated investors it offers an 4.1% yield, which is the highest in the sector.

Examples of investment trusts serving different sectors

Biotechnology & Healthcare
BB Healthcare
Biotech Growth Trust
International Biotechnology
Polar Capital Global Healthcare
RTW Venture
Syncona
Worldwide Healthcare Trust

Music Royalties
Hipgnosis Songs Fund
Round Hill Music Royalty Fund

Infrastructure - Renewable Energy
Aquila Euro Renewables
Bluefield Solar Income Fund
Downing Renewables & Infrastructure
Ecofin US Renewables Infrastructure
Foresight Solar Fund
Greencoat Renewables
Greencoat UK Wind
HydrogenOne Capital Growth
JLEN Environmental Assets
NextEnergy Solar Fund
Octopus Renewables Infrastructure
Renewables Infrastructure Group
US Solar Fund
VH Global Sustainable Energy Opportunities

Infrastructure - Energy Efficiency
Aquila Energy Efficiency Trust
SDCL Energy Efficiency Income
Triple Point Energy Efficiency Infrastructure

Property - UK Residential
Civitas Social Housing
GCP Student Living
Ground Rents Income
Home REIT
PRS REIT
Residential Secure Income
Triple Point Social Housing

Source: Winterflood • Created with Datawrapper

TECHNOLOGY

Ben Rogoff has managed the **Polar Capital Technology Trust (PCT)** since 2006. Recent underperformance has seen the discount to net asset value widen to 9.1%. However, it has a longer-term record of beating its benchmark, the Dow Jones Global Technology index.

The global pandemic has highlighted that the modern world is built on technology. In a recent investor update Rogoff described how Covid has fostered the emergence of 'a new work modality in the form of hybrid working', which will outlast the pandemic and provide the 'foundation for the next wave of technology disruption'.

In London and New York workplace activity remains less than half of where it stood pre-pandemic. Rogoff believes that 'business travel may not recover, and we have witnessed Zoom and other business platforms' abilities to fill this gap, and they are far less environmentally damaging'.

According to analysts at Numis, the trust has achieved net asset total returns of 603% versus 584% for the Dow Jones World Technology index.

Numis says Polar Capital Technology is one way to gain diversified exposure to global technology stocks focused on driving future growth, rather than the industry incumbents.

By **Mark Gardner**
Senior Reporter

Best performing Japan funds and investment trusts

Products from FSSA and Fidelity top the leaderboards

Fidelity Japan Trust (FJV) has the best five-year performance of all Japan-focused investment trusts and funds. It generated a 150.9% total return, which encompasses share price gains and dividends.

In comparison, the MSCI Japan index returned 46.7% over the same five-year period, being one of the popular benchmarks used by Japan-focused investment vehicles.

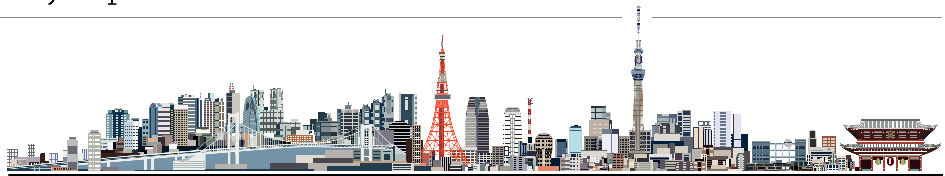
It is important to appreciate that what's done well in the past won't necessarily keep winning in the future yet studying performance tables can help to spot funds and trusts that have been doing something right.

Fidelity Japan Trust's investment style is to find growth at a reasonable price, looking for companies whose growth prospects are being under-appreciated or are not fully recognised by other investors.

The trust has a particular focus on medium-sized and smaller companies, where lower levels of analyst coverage create more frequent or greater mispriced growth opportunities.

The best performing open-ended fund over five years is **FSSA Japan Focus (BY9D7B7)**.

By **Daniel Coatsworth**
Editor



Best performing Japan funds by five-year performance

	1 year	3 years	5 years	10 years
FSSA Japan Focus B Acc	15.6%	83.6%	134.9%	n/a
JPM Japan A Inc	8.7%	63.9%	96.2%	282.2%
Fidelity Japan W Acc	19.9%	61.2%	77.6%	188.2%
Threadneedle Japan RNA	13.4%	54.8%	73.8%	191.8%
Baillie Gifford Japanese B Acc	9.8%	33.6%	68.2%	281.3%
Jupiter Japan Income L Acc	15.0%	43.8%	67.1%	202.4%
Barings Japan Growth Trust A Acc	9.2%	40.0%	61.7%	199.9%
Fidelity Japan Smaller Companies W Acc	6.9%	38.6%	60.5%	231.1%
Baillie Gifford Japanese Income Growth B Inc	6.7%	22.2%	57.1%	n/a
Benchmark: MSCI Japan	**10.2%**	**28.3%**	**46.7%**	**175.3%**

Total return in GB. Data as of 15 November 2021
Table: Shares magazine • Source: FE Fundinfo • Created with Datawrapper

Japan investment trusts ranked by five-year performance

	1 year	3 years	5 years	10 years
Fidelity Japan Trust	15.7%	78.3%	150.9%	392.8%
JPMorgan Japanese	2.3%	78.2%	119.6%	405.4%
Baillie Gifford Japan Trust	4.0%	32.2%	85.5%	474.4%
Aberdeen Japan Investment Trust	13.6%	47.8%	61.6%	221.3%
CC Japan Income & Growth Trust	25.8%	14.3%	58.6%	n/a
Schroder Japan Growth	23.0%	16.9%	41.5%	222.4%
Benchmark: MSCI Japan	**10.2%**	**28.3%**	**46.7%**	**175.3%**

Total return in GB. Data as of 15 November 2021
Table: Shares magazine • Source: FE Fundinfo • Created with Datawrapper

In good hands

Majedie Investments offers a potentially attractive solution for investors seeking a respite from the stresses of managing their own money in turbulent times...

The last two years have been a hair-raising and at times exhausting experience for investors.

After plunging in 2020, markets rebounded strongly and August 2021 saw a record for retail fund sales as investors piled back into stocks according to figures from the Investment Association.

Against that backdrop the responsibility of managing one's own pension or ISA portfolio can weigh heavily and, for many, it makes sense to offload the responsibility to a professional.

While it is possible to build your own portfolio, for smaller investors a single broadly diversified portfolio offers an alternative solution to managing wealth.

Majedie Investments (MAJE) fits this profile. The trust offers exposure to a very broadly diversified portfolio managed with a flexible approach by Majedie Asset Management.

The trust also benefits from an allocation toward an absolute return 'long/short' equity fund – Majedie Tortoise – designed to protect investors' capital during periods of market weakness.

As well as traditional 'long' investments - it can take 'short' positions on companies the manager believes will perform poorly; meaning it can make money during falling markets.

Via this approach Tortoise has performed strongly in each of the crisis years which have occurred since it was launched, but the managers will switch to a 'net long' position aggressively if they believe the market is overstating the downside.

We spoke to Tom Morris, portfolio co-manager, who said the team did exactly this in Q1 2020.

"We managed to rotate the fund aggressively starting in March and going through to summer. We closed most of our short positions and went very heavily long; there were all kinds of companies available at incredibly cheap valuations."

As the panic began to subside this brave move paid off and the fund began to deliver strong returns, finishing 2020 up 14.5% net of fees, but Tom thinks there is still value to be had even after significant market gains.

The Tortoise portfolio reflects that. The majority of the fund's assets are held in stocks which the team believe will go up, and he sees opportunity in many places.

"We see opportunities in healthcare with companies like Pfizer. Despite its famous vaccine, the market doesn't like it; after seeing its share price go up after the vaccine was released, it went straight back down again – and in fact it was cheaper in February this year than it was before the vaccine was released, despite adding a $35bn revenue stream through the successful rollout of the COVID vaccine.

Banks are also on the buy list. "They are a much better position than they were in the previous decade, when it was all about fixing themselves after the financial crisis, but people haven't really cottoned on to that."

Valuations play an important role in the investment process, giving the fund a 'value' bias. Value stocks, which have performed relatively poorly versus their growth peers for many years, are likely to perform better when inflation and interest rates are on the rise.

"In an inflationary environment where nominal growth is higher, then growth becomes less rare and the gap between growth and value gets smaller, which is good news for us.

"Since inception Tortoise has produced returns of 6.5% p.a. net of fees in an environment where value has been crushed. Having delivered those returns during a terrible environment for value, in an environment where value is no longer so disadvantaged there's an opportunity for this fund to do quite a lot better."

Click **here** to read our detailed research on Majedie Investments...

RUSS MOULD
AJ Bell Investment Director

Does Wall Street fail the Gordon Gekko test?

The factors which could knock a 10-year trend of developed markets outpacing emerging markets off course

Gordon Gekko, the insider-trading corporate raider of 1987's Oliver Stone film *Wall Street*, may have been a villain but that did not stop him talking a degree of sense. Quite what he would have made of Rivian's $100 billion-plus market value after its first day of trading we will never know, but we can probably guess, given his comment that: 'The mother of all evil is speculation.'

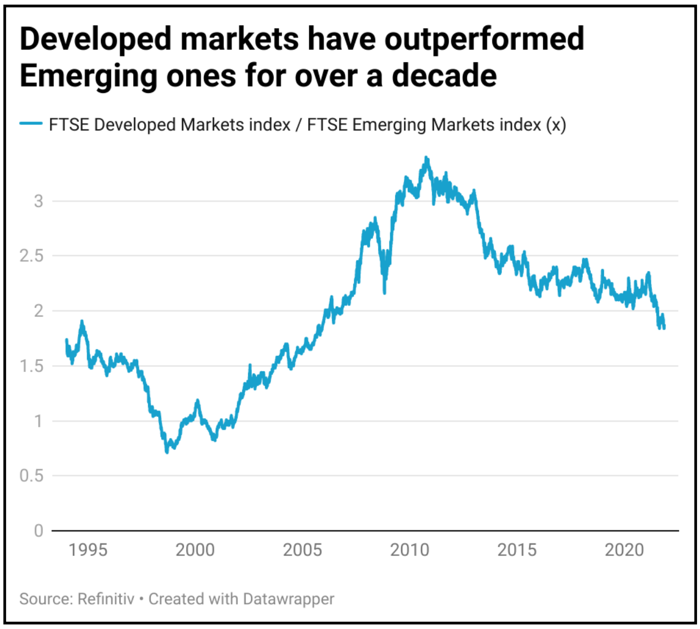
After all, that price tag values Rivian more highly than rival (and backer) Ford, even though Ford is forecast by analysts to generate more than $120 billion in sales and $6 billion in net profits. By contrast, Rivian is going to be in loss this year, not least as it only began to ship its first vehicles in September.

Whatever you think of Rivian's potential, its valuation now prices in an awful lot of good news and not much bad. This is not to say anything bad will happen. But if it does, well, watch out as the valuation offers little or no downside protection.

By contrast, investors can protect their downside, and leave scope for upside, by looking at assets which may be out of favour and could therefore be undervalued as a result. The danger is that something is underperforming and cheap for a perfectly good reason, so careful research is needed. But one trend which catches this author's eye is the 10-year underperformance of emerging equity markets relative to developed ones.

CLEAR TREND

This can be seen by simply dividing the value of the FTSE Emerging index by that of the FTSE Developed index. If the line rises, emerging markets are outperforming and if it falls then developed arenas are doing better.



RUSS MOULD
AJ Bell Investment Director

Developed markets ended the 1990s on a high as the Asian and Russian currency and debt crises hammered emerging markets, only for them to recover just in time for the technology bubble bust to hobble the developed ones for the best part of a decade. It has been one-way traffic since 2010, however, as developed markets have proved to be the better portfolio pick by far.

The questions to ask now, therefore are 'why?' and 'what could change'?

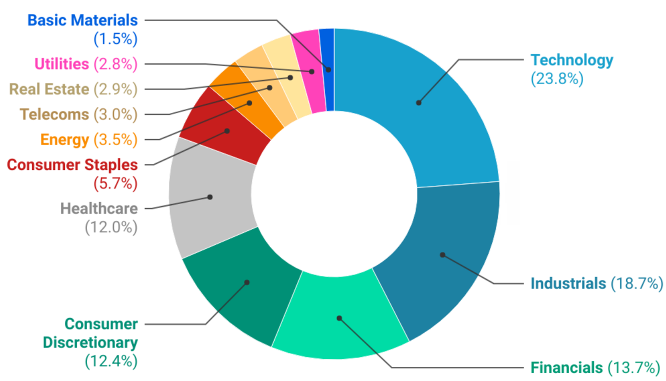
One good guess as to the reason for the performance disparity would be the sector mix of the indices. But they are not as different as you might think. There is a similar representation in technology and the percentage weighting toward cyclical sectors such as financials, industrials and consumer discretionary. Emerging markets' greater weighting toward financials in a margin-crushing, zero-interest-rate environment may not help, and nor may the higher weighting toward energy and basic materials (mining) during a low-growth, low-inflation decade, but neither looks conclusive.

NEW YORK, NEW YORK

A more convincing explanation comes in the form of geographic exposures. The runaway US equity market represents two-thirds of developed market capitalisation and China more than one third of emerging markets.

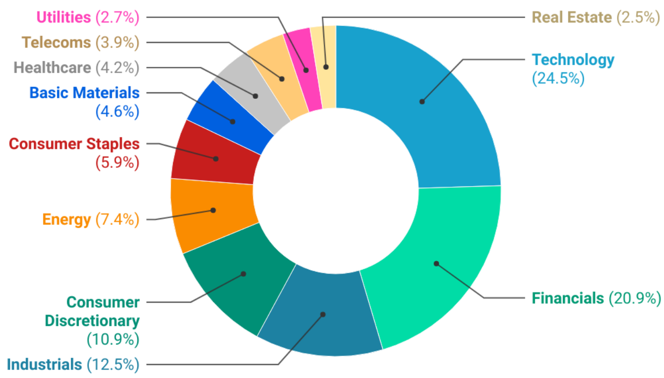
Sector weightings may not explain emerging markets' underperformance ...

FTSE Developed index - by sector



Source: FTSE Russell, as of 29 October 2021 • Created with Datawrapper

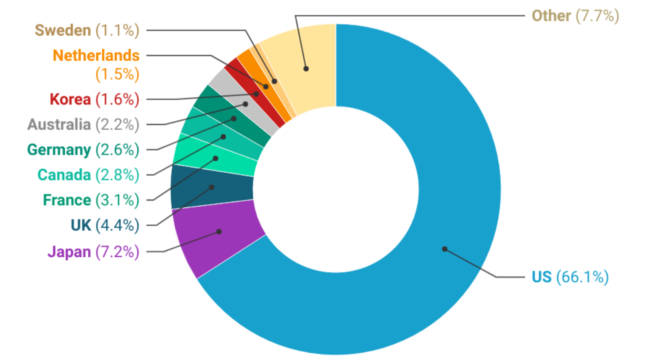
FTSE Emerging index - by sector



Source: FTSE Russell, as of 29 October 2021 • Created with Datawrapper

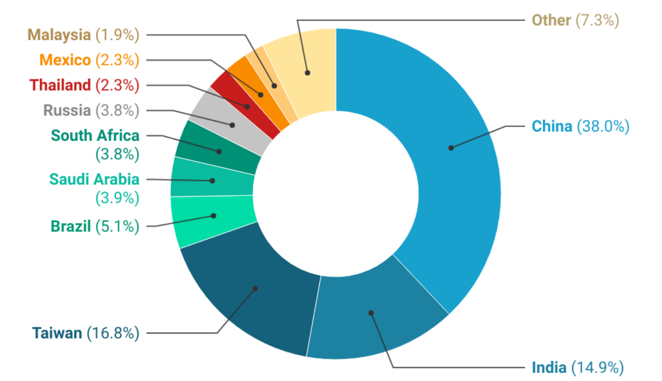
.... But geographic ones may underpin developed markets' dominance

FTSE Developed index - by country



Source: FTSE Russell, as of 29 October 2021 • Created with Datawrapper

FTSE Emerging index - by country



Source: FTSE Russell, as of 29 October 2021 • Created with Datawrapper

RUSS MOULD
AJ Bell Investment Director

This is not the only reason – China's weightings have increased over time as overseas listings and the domestically-traded stocks have entered global indices – but the S&P 500 is up by more than 300% since January 2010 and the Shanghai Composite by just 7%.

US stocks have massively outperformed Chinese ones since 2010

Source: Refinitiv • Created with Datawrapper

After a long and loud clamour for their inclusion, index compilers are now busily excluding Chinese stocks owing to US sanctions, governance issues and more besides. That may appeal to contrarians, who will also baulk at the valuation attributed to US stocks.

The Case-Shiller cyclically adjusted price earnings ratio – also known as CAPE – is no use at all as a near-term timing tool. But the two previous occasions when the CAPE exceeded 30 times, and the four prior times when 10-year historic compound returns from the S&P 500 have exceeded double-digits in percentage terms, have all seen the next decade's returns from US equities tail off very badly indeed.

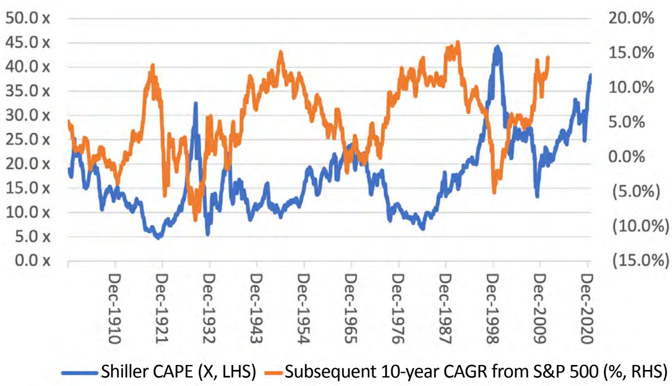
FRIEND OR FOE

Some investors will be happy to stick to the maxim that 'the trend is your friend' and row in with the US and developed markets over China and their emerging counterparts. Others will keep the combination of Gekko and Shiller's CAPE in mind.

China is trying to support its economy while managing a huge debt mountain and attempting to stop financial speculation from derailing its economy through poor capital allocation. But you can argue the US faces the same challenge, even if it comes with far superior corporate governance and investor protection.

China is acting and could be running monetary policy that is too tight as a result. That leaves it room to loosen. The Federal Reserve might just be ducking the challenge and running policy that is too loose, with the result it will have to tighten in time whether it likes it or not in a reversal of fortune that could, one day, break a 10-year-plus trend in relative share price performance.

The US has historically provided poor long-term future returns once the Shiller CAPE exceeds 30



Source: http://www.econ.yale.edu/~shiller/data.htm

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Presentations to start at 18:00 GMT

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Can I top up my SIPP and pay into a workplace pension?

Pensions expert Tom Selby explains the rules around paying into multiple retirement saving schemes

I am paying 7% of my salary into a workplace pension and my employer is matching the contributions. My intention is to retire in around a decade when I am in my early 60s.

Am I allowed to top up my SIPP at the same time as paying into the workplace pension?

How does the tax relief work if, for example, someone earns £20,000 per year and has enough cash to pay a year's salary into their pension? Will they get 20% tax relief on all of their contributions or only on the taxable portion?

Dave

Tom Selby
AJ Bell Senior Analyst says:

Yes, you can pay into a self-invested personal pension, also known as a SIPP, while contributing to your workplace pension.

The amount you can save across all pensions and get tax relief on is capped at the higher of £3,600 or 100% of your earnings in the tax year.

Whether you receive all the tax relief you are entitled to will depend on the type of pension scheme you are paying into.

If it's a 'net pay' scheme (these can only be workplace pension schemes), contributions are taken out of your pay

before tax is deducted, so you should receive tax relief at your marginal rate automatically.

However, if these contributions come out of salary within your personal allowance – which is taxed at 0% – you may not receive all the tax relief you are entitled to. The Government has set out plans to address this net pay anomaly, but they won't be rolled out for a few years.

'Relief at source' schemes, on the other hand, pay you 20% tax relief on your whole contribution – although if you're a higher or additional-rate taxpayer you will need to claim any extra tax relief you are owed from HMRC through your annual tax return. SIPPs usually operate this method of paying tax relief.

For example, someone with total earnings of £20,000 could contribute a maximum of £20,000 into a net pay scheme. Alternatively, they could pay £16,000 (from their earnings after tax has been deducted) into a relief at source scheme, with an extra £4,000 added automatically via tax relief (taking the total to £20,000).

There is also an 'annual allowance' for pension contributions, which for most people is £40,000 a year. Anyone with very significant income or who has accessed taxable income flexibly from their retirement pot may have a lower annual allowance.

All the contributions you make in each tax year, across all your pensions, and any contributions your employer makes for your benefit, are added together and tested against the annual allowance. If you exceed your available allowance you will be subject to an annual allowance charge. This charge effectively removes any tax relief you have received on excess contributions.

In addition, the lifetime allowance limits the amount you can build up in your pension pots over your lifetime at £1,073,100. Some people may be entitled to a lifetime allowance above this level if they have successfully applied for one of a number of 'protections' introduced since 2006.

How to make charity donations as tax efficient as possible

Getting the most out of Gift Aid, inheritance tax benefits and other useful tips

As we near the end of 2021, many people might be thinking about what donations to charity they plan to make this Christmas or before the end of the year.

Many people decide to gift money as part of their Christmas giving, but anyone planning to be charitable this year should make sure they're doing it in the most tax-efficient way. It won't impact the amount you give to charity – in fact some might even boost it – but it will mean that the cost of giving to good causes is often lower for you.

Last year as a nation we claimed £1.7 billion in tax back for giving to charity, a slight increase on the previous year, despite Covid meaning that many people's ability to donate to charity was reduced.

THE TAX BENEFITS OF BEING CHARITABLE

1. Gift Aid

Higher-rate taxpayers can claim tax back on any money they've donated, they just need to tell the taxman what they've given to charity.

The charity also gets a boost to the money you donate, through Gift Aid. It means that for every £1 you donate, the charity can claim back 25p. You'll need to fill in a form with the charity and be a UK taxpayer, and they do the rest of the work.

But higher-rate taxpayers can then claim back 20% relief on the full donation, while additional rate taxpayers can claim back 25%. So, if you donate £100, and the charity gets £25 back through tax relief, then a higher-rate taxpayer can get back 20% of the £125, which equals £25.

This effectively works by increasing your basic-rate tax band by the amount you donate. So, if you donate £1,000, your basic-rate tax threshold will increase from £50,270 to £51,270 in the current tax year.

2. Inheritance tax benefits

There's a big tax break on offer if you leave money to charity in your will. If you leave 10% of your estate to charity the rate of inheritance tax paid on the rest of your estate is reduced.

That gift to charity from your estate is free of inheritance tax too and the rate on the rest of the estate, after gifts and allowances, is reduced from 40% to 36%.

Depending on the size of the estate, the tax saving on offer can be more than half the amount of the charitable donation, meaning that the cost of giving to charity is vastly reduced. In order to qualify, you only need to leave 10% of the value of your estate after any reliefs or allowances, including your nil rate band.

For example, someone with a £900,000 estate* would need to donate £57,500 to charity to be eligible for the reduction in inheritance tax.

The inheritance tax bill with no charitable donation would be £230,000 but after the donation it would be £186,300

– saving £43,700. That means the donation of £57,500 has only cost the estate £13,800.

3. Gifting assets and the tax breaks on offer

If you give certain assets, property or land away to charity you get a double whammy, as you don't have to pay any capital gains tax on it, and you can claim income tax benefits.

You can donate assets such as listed shares, fund investments and property. If you do so you'll be able to claim income tax relief on the market value of those assets, which means you reduce your taxable income by the value of the donation.

What's more, you will not have to pay tax on any gains you've made on an asset if you gift it to charity. Ordinarily, you pay capital gains tax on any gains each year above the annual allowance (currently £12,300), at a rate of 10% for basic-rate taxpayers or 20% for higher-rate taxpayers, but this is wiped out if the asset it donated to charity.

For example, Jean (who is a basic-rate taxpayer) donates £5,000 worth of shares to charity. This means she can reduce her taxable income by £5,000, effectively giving her an extra £1,000 tax break (20% of £5,000). She originally bought the shares for £3,000 and has already used her capital gains tax allowance this year. Because she donated the assets to charity, she saves £200 in capital gains tax (10% of the £2,000 gain).

**Assumes the individual can use their nil rate band but isn't eligible for the residence nil rate band. Assumes no other gifting or allowances are used.*

By **Laura Suter**
AJ Bell Head of Personal Finance

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Oli Green, Executive Chairman and Theo Green, Chief Growth Officer

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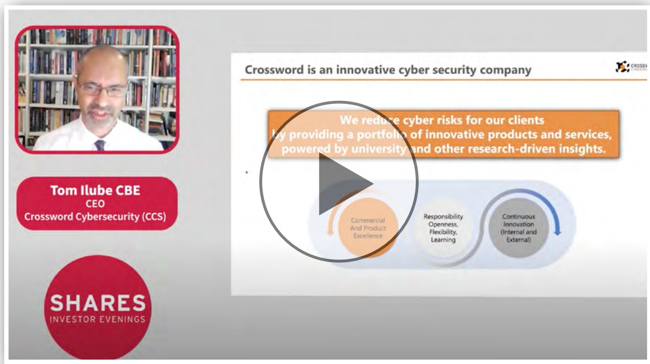

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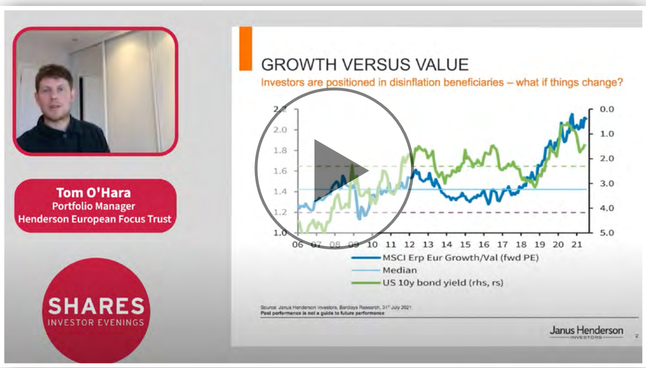

Henderson European Focus Trust (HEFT)
Tom O'Hara, Portfolio Manager

Henderson European Focus Trust seeks to maximise total return (a combination of income and capital growth) from a portfolio of stocks listed in Europe. The portfolio can hold companies of any size but has a strong bias towards large cap.

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KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full-year results

22 Nov: Carr's, Cerillion, Diploma**. 23 Nov:** Compass. **24 Nov:** AB Dynamics, Brewin Dolphin, Britvic, Virgin Money, Town Centre Securities.

Half-year results

19 Nov: Great Portland Estates, Wincanton, Carclo. **22 Nov:** Augmentum Fintech, Big Yellow, Centralnic, Sysgroup, Thruvision. **23 Nov:** AO World, Caledonia Investments, Calnex Solutions, Cranswick, Helical, IG Design, Pets at Home, Record, Schroder Real Estate, Severfield, Severn Trent, Record, Victoria. **24 Nov:** Alpha Financial Markets, CML Microsystems, Cordiant Digital Infrastructure, De La Rue, First Property, HICL Infrastructure, Revolution Beauty, United Utilities. **25 Nov:** ActiveOps, James Latham, JLEN Environmental Assets, Motorpoint, Omega Diagnostics, Polar Capital, XPS Pensions.

Trading updates

22 Nov: Diploma. **23 Nov:** Petershill Partners. **24 Nov:** Breedon, Rotork. **25 Nov:** T Clarke. **26 Nov:** Reach.

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Shares magazine is published weekly every Thursday (50 times per year) by AJ Bell Media Limited, 49 Southwark Bridge Road, London, SE1 9HH.
Company Registration No: 3733852.

All chart data sourced by Refinitiv unless otherwise stated