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What's worked before and what could work now

Highs and lows How to analyse stocks trading at one-year peaks or troughs

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52-week highs and lows

Tracking stocks at one-year peaks or troughs can help with spotting investment opportunities.

3

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

Why and how is Vodafone selling Spain to a £1.9 million telco tiddler?

Coca-Cola HBC delivers strong organic growth, Anheuser Busch InBev surprises with €1bn buyback

McDonald's shares sizzle pre-market after Q3 results beat forecasts

Why Mike Ashley's Frasers has sold Missguided to Chinese online goliath Shein

Offering investors a seatbelt on the market rollercoaster

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What did we learn from the latest round of UK bank earnings?

Our overriding impression was this could be as good as it gets for industry profitability

When it came to their third-quarter earnings updates, none of the UK's 'Big Four' high-street lenders could be said to have covered themselves in glory.

Shares in **Barclays (BARC)**, **HSBC (HSBA)**, **Lloyds (LLOY)** and **NatWest (NWG)** all declined on the day of their results, regardless of whether they were better, in line, or below forecasts.

While none of them explicitly warned on revenue or earnings, there was a distinct sense from reading the statements that we may have seen 'the best of times' in terms of net interest margins and expected credit losses.

The record pace of interest rate rises over the past 12 months meant they all earned more in net interest income than they did in the same three months last year, even though overall lending seems to have declined and net interest margins look to have already peaked.

Despite fears the global economic slowdown and cost-of-living crisis could cause companies and households to default on their debts, provisions for future bad loans were in line with expectations and well below those seen in the great financial crisis.

Lloyds, the UK's largest mortgage lender, said asset quality was 'resilient, with credit performance across portfolios largely stable in the quarter and remaining similar or favourable to pre-pandemic experience,' meaning it wasn't seeing any major signs of stress among borrowers.

Barclays increased its UK provisions slightly as a result of higher rates and falling house prices, although arrears in areas like credit cards were lower and consumer demand for credit was steady, but across the board we get the sense the only way for loan losses going forward is up.

Where the banks dipped out was in deposits, where customers rushed to take surplus cash out of zero-interest current accounts and stick it in interest-bearing term accounts in a 'search for yield', a trend which Barclays noted had increased over the course of the year.

Also, any illusions that UK investment bankers are a match for their Wall Street peers – regardless of the silly amounts they get paid – were quickly disabused with earnings from trading dwarfed by the figures reported by the likes of **Goldman Sachs (GS:NYSE)** and **JPMorgan Chase (JPM:NYSE)**.

Our final takeaway from this quarter's earnings is, if earnings aren't up to scratch then there is always the option of buying back shares: Lloyds was punished for not increasing the size of its repurchase plan, while HSBC avoiding a major drubbing after posting disappointing figures by announcing a bigger-than-expected buyback. [IC]

Bank shares struggle on mixed third quarter numbers

Rebased to 100

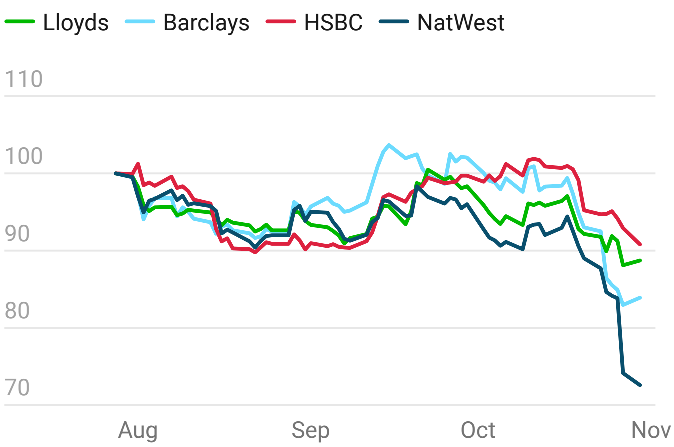


Chart: Shares magazine • Source: LSEG

Downtrading trend puts Unilever and Reckitt pricing power to the test

Consumer goods giants suffer volume falls as consumers switch to unbranded alternatives

The GfK consumer confidence index fell nine points from minus 21 to minus 30 in October amid a slowing jobs market and the uncertainty engendered by the Middle East conflict which have dampened the Christmas spending outlook.

This consumer squeeze was in evidence in the quarterly volume declines reported by FTSE 100 consumer goods giants **Unilever (ULVR)** and **Reckitt Benckiser (RKT)**.

Unilever delivered a mixed third quarter performance (26 October) as new CEO Hein Schumacher announced a new action plan designed to 'drive growth' and 'unlock potential'.

Underlying sales growth in the quarter to 30 September was 5.2%, yet the bulk of the increase came from price rises while volumes slipped by 0.6% as cash-strapped shoppers continue to switch into cheaper unbranded alternatives; ice cream volumes for instance were down 10.1%, reflecting consumer downtrading to value formats, as well as unhelpful weather.

Commenting on the newly unveiled strategy, Berenberg analyst Fulvio Cazzol says: 'We believe that, in order to improve shareholder returns, management must focus on improving organic sales growth, narrow the gross margin gap to peers and return more cash to shareholders.

'We were pleased to hear management's plan to address each of these, including driving higher volume growth, restoring gross margins to the pre-pandemic level and committing to a dividend payout ratio of above 60%, with surplus capital returned via share buybacks.

'That said, management did not commit to quickly divest or sell brands outside the top 30, which we estimate declined by 0.2% in Q3. However, we believe brand disposals remain an option if the performance of some of these smaller brands does not improve.'

New Reckitt CEO Kris Licht also faces challenges, with third quarter like-for-like sales growth (25 October) disappointing and the health and hygiene branded goods giant's price increases resulting in a 4.1% group volume decline. This exacerbated fears consumers are switching out of its Cillit Bang cleaning products, Nurofen painkillers and Finish dishwasher tablets and into cheaper own-brand alternatives.

One clear winner from the downtrading trend is private label cleaning products maker **McBride (MCB)**, a trusted supplier to Europe's leading grocery retailers whose shares have more than doubled year-to-date.

On 19 October, McBride delivered another earnings upgrade as the cost-of-living crisis continues to drive demand for its budget laundry detergents, dishwasher liquids and surface cleaners 'across all markets'.

Brand owners are responding to the risks from the private label shift. Broker Shore Capital senses that 'proprietary brand owners in particular are now alive to the material shift in the UK market to private label through the recent cost of living challenges, so are adjusting price and promotion strategies'. [JC]

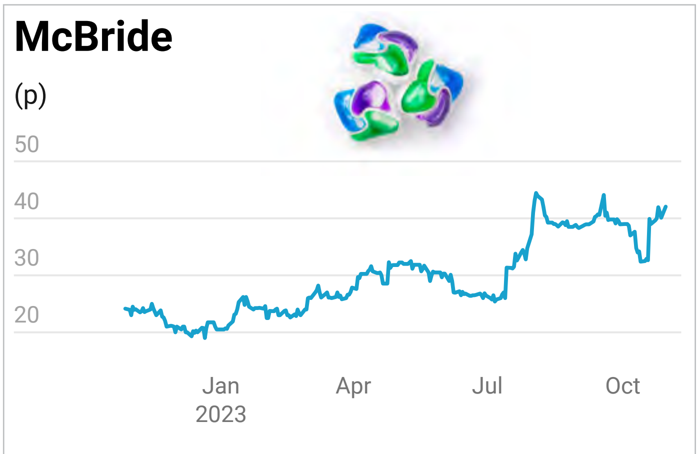
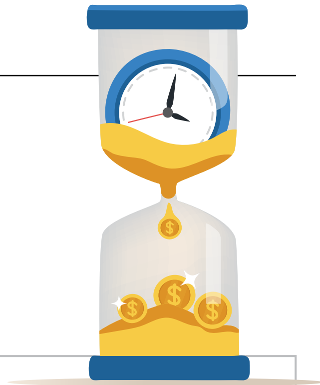


Chart: Shares magazine • Source: LSEG

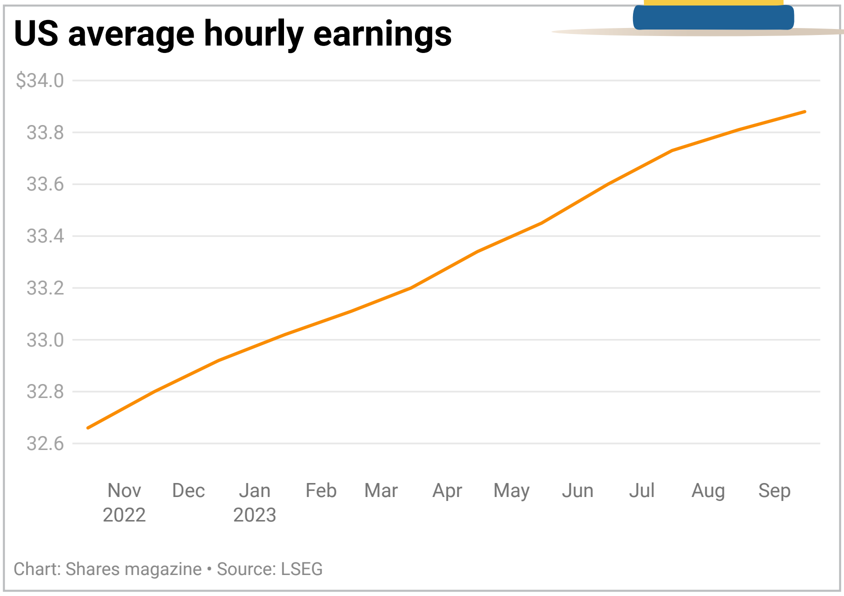
US auto strikes deal now has big implications for inflation and Fed policy



There could be second round effects related to the pay agreement struck by unions

After seven weeks on strike the UAW (Union of Auto Workers) and the major US auto makers seem to have finally agreed workable deals.

Fiat/Chrysler owner **Stellantis NV (STLAM:BIT)** and **Ford Motor Company (F:NYSE)** announced deals over the weekend while the last standout **General Motors (GM:NYSE)** followed suit on 30 October.



The General Motors agreement is still tentative but is believed to follow the same structure as those agreed by Ford and Stellantis.

It involves an immediate 11% pay hike in the top hourly wage and a 14% increase over the next four years as well as a cost-of-living adjustments to protect workers from rising prices.

While lower than initial demands of 40%-plus hikes investors are trying to figure out what the pay rises might mean for interest rate policy given the Federal Reserve's laser like focus on wage inflation.

A complicating factor for Fed officials trying to gauge the underlying strength of the economy is that the UAW strikes as well as those in Hollywood would have had a temporary slowing effect.

The US has been hit by a substantial increase in strikes this year which has resulted in 7.4 million working days lost compared with just 636 days in 2022 according to the Labour Department.

The Fed has repeatedly said it believes wage inflation remains well anchored and therefore not a concern over the longer term.

US auto production accounts for 2.9% of GDP and the three automakers employ around 146,000 workers. Outside of the auto industry union membership has halved over the last 40 years and sank to a record low of 10% of the total workforce in 2022 according to the Labour Department.

While union membership is relatively small in the private sector around a third of public sector workers are organised. Some argue the UAW's success may have second round effects.

Professor John Logan at San Francisco state university said it may spur non-union shops to push for unionisation, not least workers at **Tesla (TLSA:NASDAQ)**.

Competitors such as **Nissan Motor Company (7201:TYO)** may feel obliged to increase wages to retain workers, especially amid a tight labour market.

The AUW has made it a clear objective to increase union membership.

'When we return to the bargaining table in 2028, (when the current contract expires) it won't just be with the Big Three, but with the Big Five or Big Six,' wrote the AUW. [MG]

Ascential shares surge 30% on £1.4 billion divestments to focus on events

Company set to return £850 million to shareholders

The market is reacting extremely positively to news of events outfit and information provider **Ascential's (ASCL)** sale of its digital commerce and product design businesses for a combined £1.4 billion.

The digital commerce unit is being offloaded to **Omnicom (OMC:NYSE)** for £741 million and WGSN – its product design arm – to Apax Partners for £700 million. Group CEO Duncan Painter is leaving to join Omnicom as part of the agreement.

The deal will see a return of £850 million to shareholders, potentially through a special dividend. More significantly for the long-term direction of the business, these transactions mean the company is more focused on its leading events like Cannes Lions festival and Money 20/20 – a regular fintech conference in Las Vegas.

Shore Capital analyst Roddy Davidson says: 'On a first-pass basis we regard this as a satisfactory conclusion to the strategic plan unveiled at the start of this year.

We have consistently flagged a significant disparity between Ascential's stock valuation and that of its underlying businesses.'

The sale is subject to shareholder approval, if approved the deal will go through in the first quarter of 2024.

Whirlpool shares in a spin amid big questions on white goods margin and earnings outlook

Momentum appears to be slowing for this part of the market

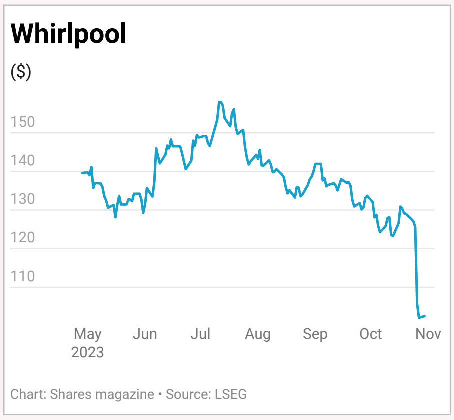
Despite strong third quarter results, shares in the world's leading electrical appliance-maker **Whirlpool (WHR:NYSE)** tumbled 20% last week to their lowest since the pandemic after the Michigan-based manufacturer lowered its full year earnings target.

Revenue and earnings were well ahead of estimates thanks to market share gains, but analysts at Raymond James flagged price and mix sales headwinds as well as a tax benefit which boosted profits, while the company's full-year guidance hinted at continuing pressure and an earnings miss to come in the fourth quarter.

Shares in Europe's biggest appliance-maker **Electrolux (ELUX-B:STO)** slid to their lowest since 2012 after the Swedish firm posted sales and operating profits well below market forecasts citing 'continued weak market demand and consumers shifting to lower price points'.

The firm said promotions had returned 'to a high level' as it faced increased competition from rivals such as China's Midea, while its cost-saving programme was yet to bear fruit.

Analysts at JPMorgan cast doubt over the fourth-quarter outlook and questioned how much of the cost savings would be ploughed back into promotions to generate sales rather than flowing to profits. [IC]



Foods-to-fashion giant Marks & Spencer is firmly on the front foot

UK UPDATES OVER THE NEXT 7 DAYS

FULL YEAR RESULTS

7 November: DotDigital, Associated British Foods

8 November: Smiths News, Time Out Group

FIRST HALF RESULTS

8 November: Marks & Spencer

9 November: Wincanton, Wizz Air, Urban Logistics REIT, National Grid, 3i Group, Auto Trader, Cropper (James)

TRADING ANNOUNCEMENTS

7 November: Direct Line Insurance Group, Persimmon, IWG, Beazley, Hilton Food Group

8 November: ITV, Hiscox

9 November: Taylor Wimpey, S4 Capital, Vistry Group, Lancashire, Domino's Pizza, Flutter Entertainment, Endeavour Mining, Apax Global Alpha, AstraZeneca

Momentum is building at the high street stalwart under CEO Stuart Machin

Shares in **Marks & Spencer (MKS)** have rallied the best part of 70% year-to-date and investors are expecting confirmation of continued market share gains and a return to the dividend list when the British retail institution reports first-half results (8 November).

Guided by CEO Stuart Machin, Marks & Spencer will also stage a capital markets event on the day, where management should set out medium-term targets for the retailer which re-joined the FTSE 100 in the latest quarterly reshuffle.

In an unexpected update on 15 August, Marks & Spencer highlighted positive trading and continued market share growth in both food, and clothing and home, in the financial year-to-date. Thanks to better-than-expected sales, the retailer said the impending interims will show 'a significant improvement' versus previous expectations and profit for the year to March 2024 is now expected to grow year-on-year, above the firm's previous guidance.

Concerns for investors ahead of the numbers are that September's warm weather won't have helped sales of autumn and winter ranges. And there is evidence many UK shoppers, struggling with inflation and unsettled by geopolitical turbulence, are being careful with their cash ahead of Christmas.

Shore Capital's upgraded forecasts, which the broker stresses remain cautiously pitched, point to first-half pre-tax profits of £287 million, up 40% year-on-year, and earnings per share growth of 24% to 9.7p, and a 20% rise in full-year pre-tax profits from £482 million to £575 million. According to the broker, Marks & Spencer is a business with 'strong, multi-year momentum' and 'considerable room in the tank for future growth'. [JC]

Chart: Shares magazine • Source: LSEG

What the market expects of Marks & Spencer

	EPS (p)	Revenue (£bn)
Forecast for 2024	18.7	12.7
Forecast for 2025	21.0	13.0

Table: Shares magazine • Source: Stockopedia. Year-end 1 April

Berkshire Hathaway continues to benefit from a strong US economy

Warren Buffett-led entity is a good bellwether for economic conditions across the Atlantic

Investment conglomerate **Berkshire Hathaway (BRK.B:NYSE)** attracts investor interest in the companies it is buying and selling that is revealed through quarterly 13F filings.

These are a regulatory requirement for all firms with more than $100 million in assets under management. At last count on 14 August the publicly traded portfolio was worth $348 billion.

In addition the firm holds a record $147 billion of cash and equivalents. But the company, led by chairman Warren Buffett, is also a good barometer of the health of the US economy given its broad span of wholly owned businesses, ranging from energy to transportation and insurance.

The shares reached a new all-time high in September reflecting a resilient US economy which continues to surprise to the upside. The initial reading on US third quarter GDP came in at 5% compared with 4.3% expected by economists.

Berkshire Hathaway 'B'

($)

Chart: Shares magazine • Source: LSEG

When Berkshire reports third-quarter results on 3 November it is expected to deliver a slight drop in revenue to $76.7 billion but a 22% increase in EPS (earnings per share) to $4.30.

It will be interesting to see if the company continued to buy back shares during the quarter having purchased $1.4 billion in the second quarter and $4.4 billion in the first quarter. [MG]

What the market expects of Berkshire Hathaway

	EPS ($)	Revenue ($bn)
Q3	4.29	76.7

Table: Shares magazine • Source: Yahoo Finance

US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

3 November: Enbridge, Sempra Energy, Dominion Energy, Restaurant Brands, Gartner, Cardinal Health

6 November: Berkshire Hathaway, Vertex, NXP, Tripadvisor, Talos Energy, EverCommerce, Paymentus, Tecnoglass, Beam, Air Transport Services

7 November: Gilead, Uber Tech, Air Products, Occidental, Devon Energy, Datadog

8 November: Walt Disney, Biogen, Manulife Financial, MGM, Taboola

9 November: SoftBank Group, Suncor Energy, Constellation Software, Enstar, Nova

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Buy quality outfit RELX: this is an underappreciated AI winner

The data analytics specialist more than merits its premium market valuation

RELX

(REL) £28.83

Market cap: £53.9 billion

Shares in information provider and data analytics specialist **RELX (REL)** rarely look cheap and today is no exception. However, this is a really excellent business, whose track record stands up over the long term and which is well positioned to adapt to and benefit from developments like the growth of AI (artificial intelligence).

The stock has enjoyed a strong run and based on consensus forecasts trades on 23 times 2024 earnings. However, we think this is more than justified by the quality on offer and think investors are likely to enjoy big rewards for backing the company over the long run. RELX, in our view, is an underappreciated AI winner.

RELX operates across four main segments: risk, legal, exhibitions and scientific, technical and medical (STM). The company provides information-based analytics and decision tools for professional and business customers to help them make better decisions, get better results and be more productive. AI is likely to speed up some of these processes and potentially allow RELX to analyse more datasets, more quickly.

Evidence of the rude health the company is in was provided by results for the first nine months of 2023. Segments which did particularly well were RELX's exhibitions division which reported a 32% underlying revenue growth year-to-date – ahead of pre-pandemic levels – 'with increased exhibitor usage of a growing range of digital tools', and RELX's legal division.

The company expects 'another year of strong underlying revenue growth, in line with historical trends'.

RELX continues to develop and incorporate content, higher value-add analytics, decision tools and generative AI across all its segments.

'RELX is a splendid example of a high-quality, structurally growing and resilient business and [RELX] has been at the forefront for deploying AI, well before it became part of the market zeitgeist.

'We believe the business can sustain this growth over the medium term at least, and perhaps well beyond,' said **STS Global Income & Growth Trust (STS)** in recent commentary on the business.

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

RELX

(p)

Chart: Shares magazine • Source: LSEG

Tribal is an attractive trading opportunity on buyout getting green-lit

UK regulator has little reason to scupper £160 million Euclidian takeover

TRIBAL

(TRB:AIM) 64p

Market cap: £136 million

We rarely recommend 'playing' the markets but occasionally an opportunity presents itself that may suit certain readers. The situation at **Tribal (TRB:AIM)** stands out, and we believe there could be around 15% upside on the table for limited risk.

Tribal is an education software firm based in Bristol, providing student management systems and inspection services to schools, higher and further education, and training providers in the UK and internationally.

There's been a decent business here for years, but it has struggled to execute on its opportunities as it would have liked. Prospects looked bright back in 2016, when Ian Bowles threatened to successfully shake things up, but his passing in 2018 left the company rudderless.

Share price gains made post the Covid outbreak have since flittered away leaving Tribal's £152 million enterprise value (market cap plus net debt) roughly where it was 15 years ago. That drew attention from Euclidian, which has a much larger global education software footprint and whose private equity-backers Blackstone and Vista clearly see scope to consolidate this niche industry.

A buyout offer landed at the start of October 2023, pitched at an enterprise value of £172 million and offering Tribal shareholders 74p per share in cash, a 40%-odd premium to the 52p share price then. Tribal bit its hand off and immediately recommended the deal to investors.

So, where's the opportunity now, you might ask? That arrived on 25 October when Tribal said the UK's CMA (Competition & Mergers Authority) would be taking a look at the deal, sparking a double-digit sell-off in the stock.

The CMA's interest seems odd. Euclidian has limited UK exposure so presents little competitive threat to the status quo. It is notable that the CMA does seem to have become more engaged recently, involving itself in technology deals in healthcare (UnitedHealth/EMIS), public safety (NEC Software/Capita SSS) and even in education (ParentPay/Capita ESS). All passed, some with remedies.

'It doesn't feel like there will be many issues from a UK competition standpoint,' said analysts at Megabuyte on 25 October.

That doesn't make the Tribal trade risk-free. The CMA could unearth something that queers the pitch, or Euclidian could simply walk away, and in either case, the share price would likely return to the pre-buyout 50p to 55p levels. On the other hand, delaying the takeover could also provide the opportunity for other trade or private equity buyers to emerge, potentially egging up the takeout price. This, to us, looks like an attractive risk/reward balance. [SF]

Chart: Shares magazine • Source: LSEG

AG Barr continues to impress as it adds Rio to the mix

Irn-Bru maker is diversifying through acquisitions and looks in really solid shape

AG Barr (BAG) 497p

Gain to date: 2.6%

We said to buy soft drinks maker **AG Barr (BAG)** at 484.5p in August arguing the business was not being given due credit for the momentum behind its sales and observing it was strategically well-placed for further growth despite the looming departure of its long-serving CEO Roger White.

WHAT HAS HAPPENED SINCE WE SAID TO BUY?

The shares have made modest progress – although that's not to be sniffed at given the difficult market backdrop in the interim – and there have been two pieces of news of some significance.

First on 26 September the company revealed strong first half growth and confidence in delivering on full year profit expectations.

Revenue for the 26 weeks to 30 July increased 33% to £210.4 million boosted by the takeover of Boost Drinks in December 2022. On an organic basis revenue was up by 10%.

Adjusted pre-tax profit increased by 6.7% to £27 million reflecting a lower adjusted operating margin of 12.5% (16.2% last year) due to a lower margin at the Boost division and a decision not to fully pass on cost inflation.

The MOMA foods division saw significant growth of 24% compared with the same period last year as oat milk continues to outperform other plant-based categories.

Subsequently on 24 October, the company announced the purchase of tropical fruit drink brand Rio for £12.3 million. The deal was funded out of cash and looks a logical and sensible step given the recently acquired Boost already markets, sells and distributes the brand.

WHAT SHOULD INVESTORS DO NOW?

We think soft drinks is a category, which, while exposed to the vagaries of the weather, is less affected by consumer sentiment. People are unlikely to put off buying a can of fizzy drink even in a tricky economy and even if it costs a few pence more than it used to. In addition, brands are important in driving investment decisions.

AG Barr's strategy looks sound, it has a very solid balance sheet and recent acquisitions are making a big contribution. Keep buying the shares. [TS]

AG Barr

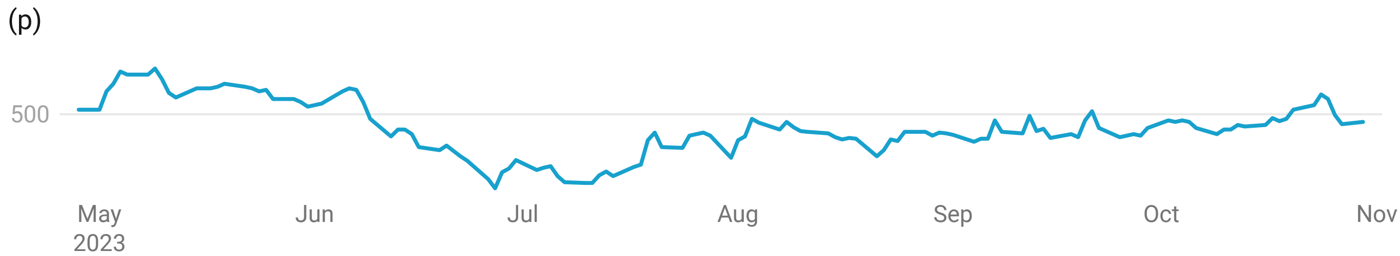


Chart: Shares magazine • Source: LSEG

INVESTING IN A HIGHER RATE WORLD:

What's worked before and what could work now

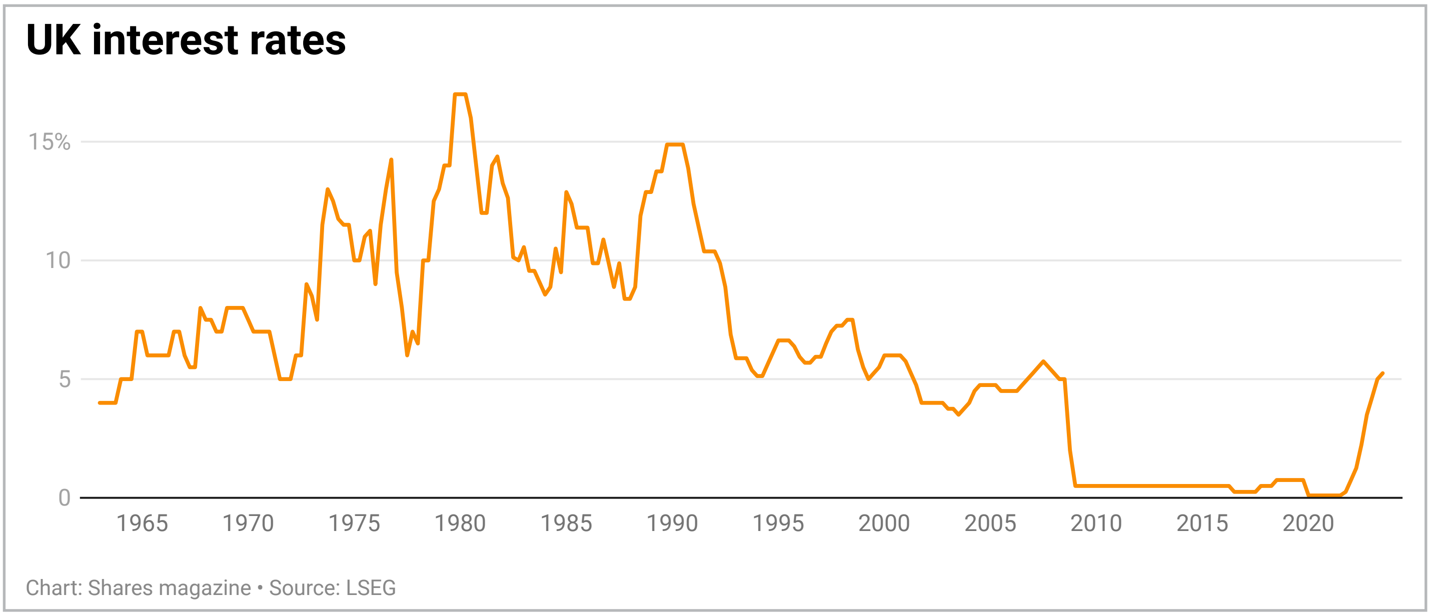
When debating what kind of portfolio is going to be best suited to an environment of 'higher-for-longer' interest rates, looking at past periods of high rates provides a partial guide.

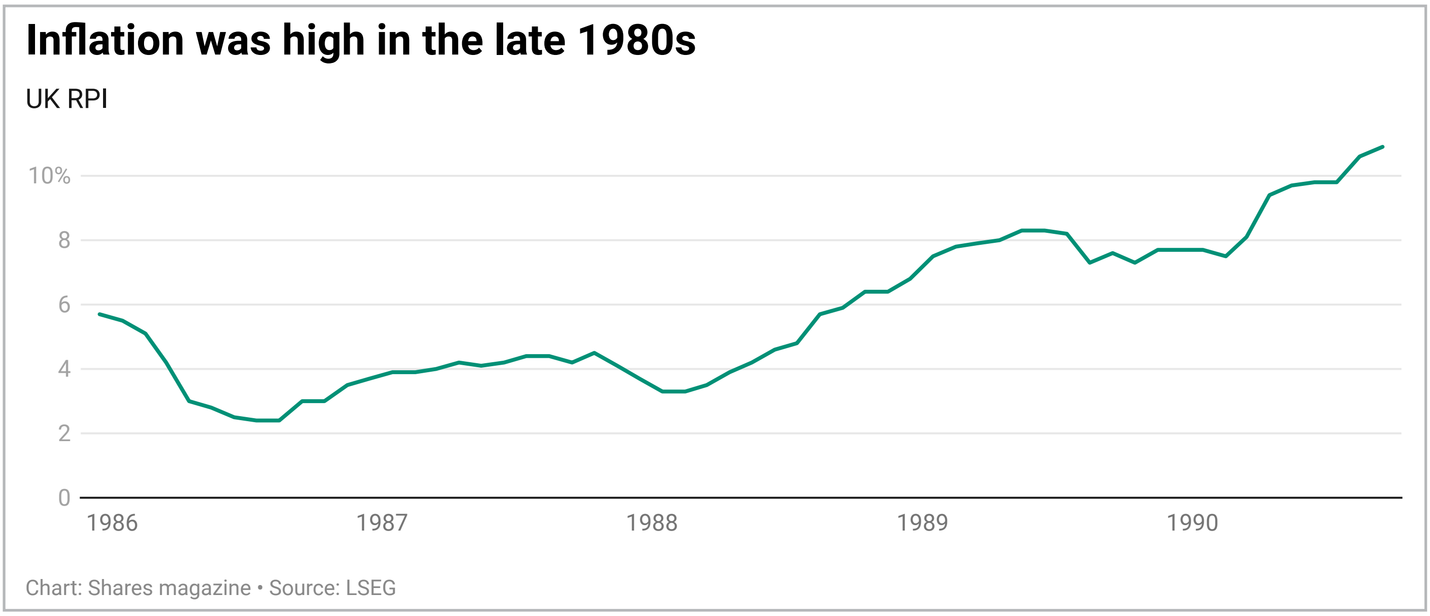
In the UK interest rates were high and stayed high pretty much from the start of the 1960s all the way through to 1990 and during that period not only were rates in double digits but so was inflation. The difference being that levels of indebtedness among households and businesses were typically lower so this cost of borrowing was easier to absorb.

To complement a look back at what did well during other periods of high rates, we have also sifted through the latest surveys and long-term return forecasts published by the big investment houses to see what the experts think we should own.

WHAT WORKED LAST TIME ROUND?

While interest rates were relatively high throughout the 1960s, 1970s and 1980s compared with the 1990s onward, the period which looks most like





today – and which most readers will be able to relate to – is probably the late 1980s.

UK inflation started the period around 6%, dipped to around 4% from 1986 to 1988 and spiked above 10% in 1990 as oil prices flew on the back of the invasion of Kuwait.

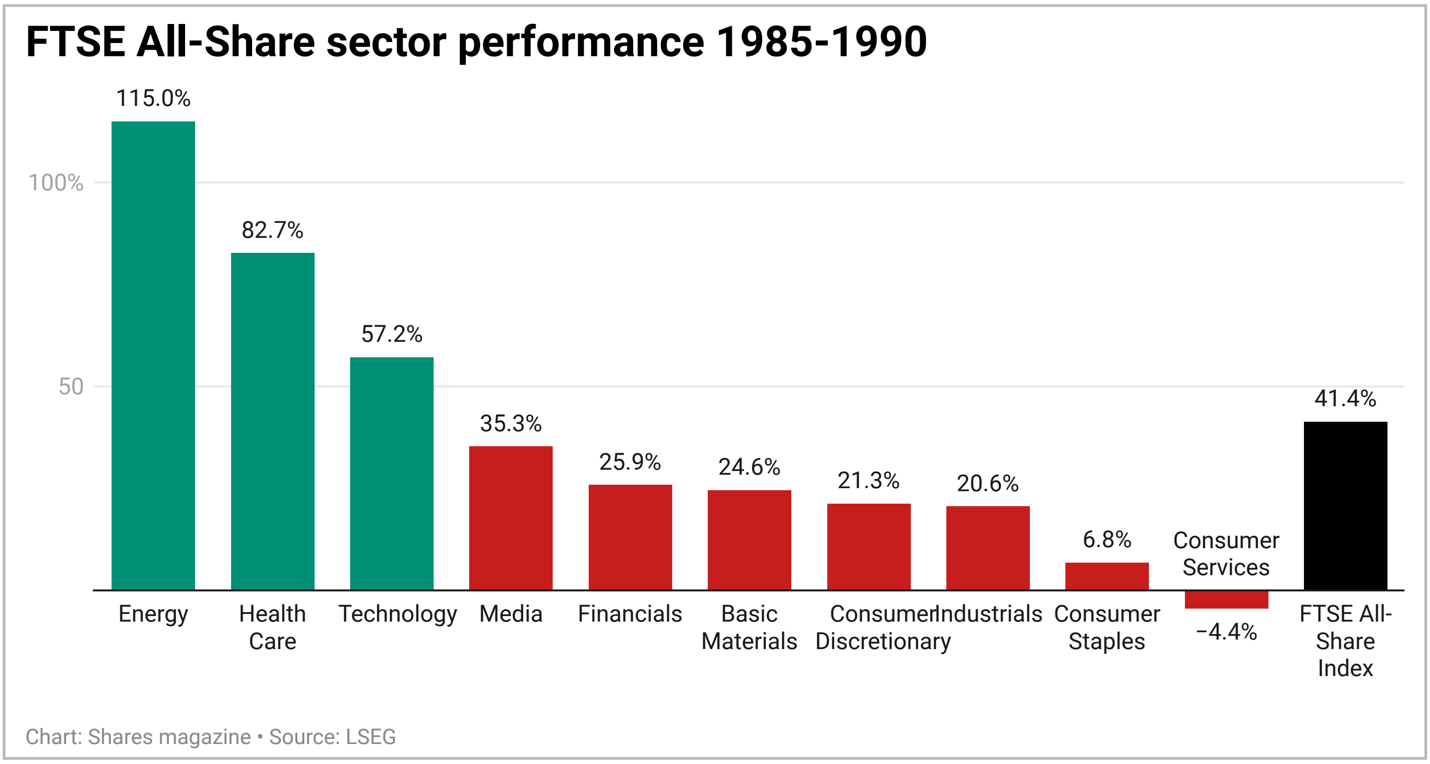
Relative to inflation, interest rates were far more punitive than they are today, starting the period at 11% and ending it at almost 15%, as anyone who had a mortgage at the time will remember only too well (in retrospect, it's easy to see why the period of falling interest rates from 1990 onwards has become known as 'The Great Moderation').

In stock market terms, even though the period includes the crash of 1987, which again those who experienced it at the time are unlikely to forget, it wasn't all doom and gloom as the FTSE All-Share managed a gain of more than 40% by the end of 1990.

The best-performing sector was energy, although this was largely due to the invasion of Kuwait in early 1990 which saw Brent crude prices soar.

Health care and technology also performed well, but every other sector underperformed the benchmark with consumer services (which covers pubs, restaurants and hotels along with airline and gambling stocks) actually making a small loss.

Financials, the one sector which we might have expected to outperform, only managed a 25% gain, well behind the index.



WHY BANKS ARE STILL A BAD BET

Despite investors falling over themselves to own financial stocks the minute central banks started tightening, recent results have shown that higher interest rates aren't the big boon everyone expected.

As the IMF (International Monetary Fund) explains in its 'latest Global Financial Stability Report', published last month: 'Rising rates are a risk for banks, even though many benefit by collecting higher interest rates from borrowers while keeping deposit rates low. Loan losses may also increase as both consumers and businesses now face higher borrowing costs—especially if they lose jobs or business revenues.'

'Besides loans, banks also invest in bonds and other debt securities, which lose value when interest rates rise. Banks may be forced to sell these at a loss if faced with sudden deposit withdrawals or other funding pressures. The failure of Silicon Valley Bank was a dramatic example of this bond-loss channel.'

The IMF has identified 30 banking groups with low capital levels, accounting for 3% of global bank assets, which could be vulnerable under its base case for economic growth, but if high inflation were to combine with a 2% global economic contraction that number would rocket from 30 to 153 and account for more than a third of global bank assets.

COULD THERE BE A 'CREDIT EVENT'?

The IMF's reference to Silicon Valley Bank is significant, because in March this year there were genuine fears the rapid rise in bond yields could cause a collapse in a group of regional US banks which had taken on too much interest-rate risk.

Ever since central banks started raising interest rates in 2022 there has been a worry that something in the economy will end up breaking, specifically something in the financial system, to cause what is known as a 'credit event'.

In an interview with *Bloomberg* last week, James von Moltke, chief financial officer of Germany's biggest lender **Deutsche Bank (DBK:ETR)**, said the likelihood of higher rates causing 'accidents' in the financial sector was 'a certainty'.

If we go back to 2008 and the great financial crisis, the 'accidents' were the failures of Bear Stearns, Lehman Brothers and Merrill Lynch, which had to be bailed out after taking on excessive risk during the mortgage boom, as illustrated by Michael Lewis in his seminal book *The Big Short*.

Further back, the collapse of hedge fund Long Term Capital Management in 1998 was another 'credit event' – although it wasn't a bank, it had borrowings of $100 billion and had written thousands of derivative contracts with every bank on Wall Street to the tune of over $1 trillion (Roger Lowenstein's book 'When Genius Failed' is an excellent account).

If LTCM had defaulted, the risk would have passed to the banks who were on the other side of its trades, many of whom had also put cash into the firm to start with and would be left facing huge losses.

In both cases, the solution was to absorb the losses by taking over the bankrupt firms allowing time for the incredibly complex web of derivative products to be unwound without creating a market meltdown.

So where are the risks in the financial system today? One obvious answer is China, where one real estate firm after another has defaulted on loan interest payments after over-extending themselves.

Country Garden, once China's largest largest homebuilder, defaulted on an international bond for the first time.

Previously it was unthinkable that the Chinese leadership would allow a bank or property company to go bust, due to the effect it would have on confidence inside and outside the country, but leader Xi Xinping has made clear his distaste at the rampant speculation in the real estate market so the jury is out on whether there could be a significant failure.

Without wishing to sound glass-half-empty, we suspect that ultimately the unprecedentedly sharp rise in interest rates *will* result in a 'credit event', because human nature being what it is some firms will have been too greedy and taken on too much risk, and as Warren Buffett famously commented, only when the tide goes out do you learn who has been swimming naked.

WHAT DO THE EXPERTS THINK TODAY?

The current 'house view' on the global economy and the trajectory of interest rates from Aviva Investors, the investment arm of the UK's largest insurer **Aviva (AV.)**, is that headline inflation in the UK, the US, the Eurozone and Japan will ease from their 2022/23 highs to somewhere between 2% and 3% by the end of 2024.

Core inflation, which excludes more volatile prices such as food and energy, is forecast to converge from highs of 6.5% in the US and 7% in the UK to around 2.5% by the end of next year.

However, central banks have made it clear that until inflation returns to low single-digits they will keep rates high, to head off the risk of a resurgence in prices, so real interest rates – that is, the difference between nominal interest rates and inflation – are likely to stay above 2% for the foreseeable future.

In terms of asset allocation, Aviva Investors recommends an overweight position in stocks, with plenty of exposure to the UK, the US, Europe and Japan but low exposure to emerging markets and the Asia-Pacific region excluding Japan.

Conversely, the managers recommend underweighting government bonds, especially in the US and Japan, as ballooning budget deficits in both countries mean they will need to issue vast quantities of debt at higher rates than at present.

In terms of corporate credit, only US and European high yield securities get an overweight recommendation, with investment-grade bonds in the US, Europe and Asia seen underperforming and emerging market debt seen as potentially worrisome.

The multi-asset team at JPMorgan Asset Management has a neutral view on stocks but admits the recent sell-off in equities 'is bringing market levels closer to a more attractive entry point'.

'Bulls and bears alike tend to agree that margins are elevated. We also note significant variance in margins – and in turn earnings – by sector and by region. At a regional level, we see further rerating potential in Japan, strong cash flow generation in the U.S. and cheap access to high dividends in the UK,' they contend.

In terms of government debt they favour UK gilts and European bonds, while in corporate credit they prefer investment grade to high-yield as a means of adding beta to portfolios together with an income stream.

Chris Forgan, multi-asset manager at Fidelity, argues a defensive mix of investments is the best strategy in the face of higher-for-longer rates.

'Although higher rates are yet to meaningfully dent economic activity in the way many assumed they would, we strongly believe that they will eventually weigh on economic growth, and that the longer they persist, the bigger this impact will be,' says Forgan.

He recommends lower-risk assets such as cash and high-quality bonds, together with defensive, 'value' stocks such as US utilities, income funds and potentially gold.

However, he advises caution when it comes to corporate credit and particularly high-yield bonds given many companies will need to refinance their bonds at higher rates in the coming months and years, which will put the weaker firms in danger of having their credit rating downgraded or defaulting on their debt.

WHAT GOES UP, MUST COME DOWN

In terms of what could bring interest rates down, Fidelity's Forgan cites the stickiness of core inflation, the tightness of labour markets and the strength of economic growth.

If core inflation remains sticky, and the labour market remains tight as it seems to be in the US at the moment, fuelling wage hikes and demands for higher pay, then central banks are likely to want to hold rates higher longer than may be good for the economy or markets.

Only signs of a significant slowdown might

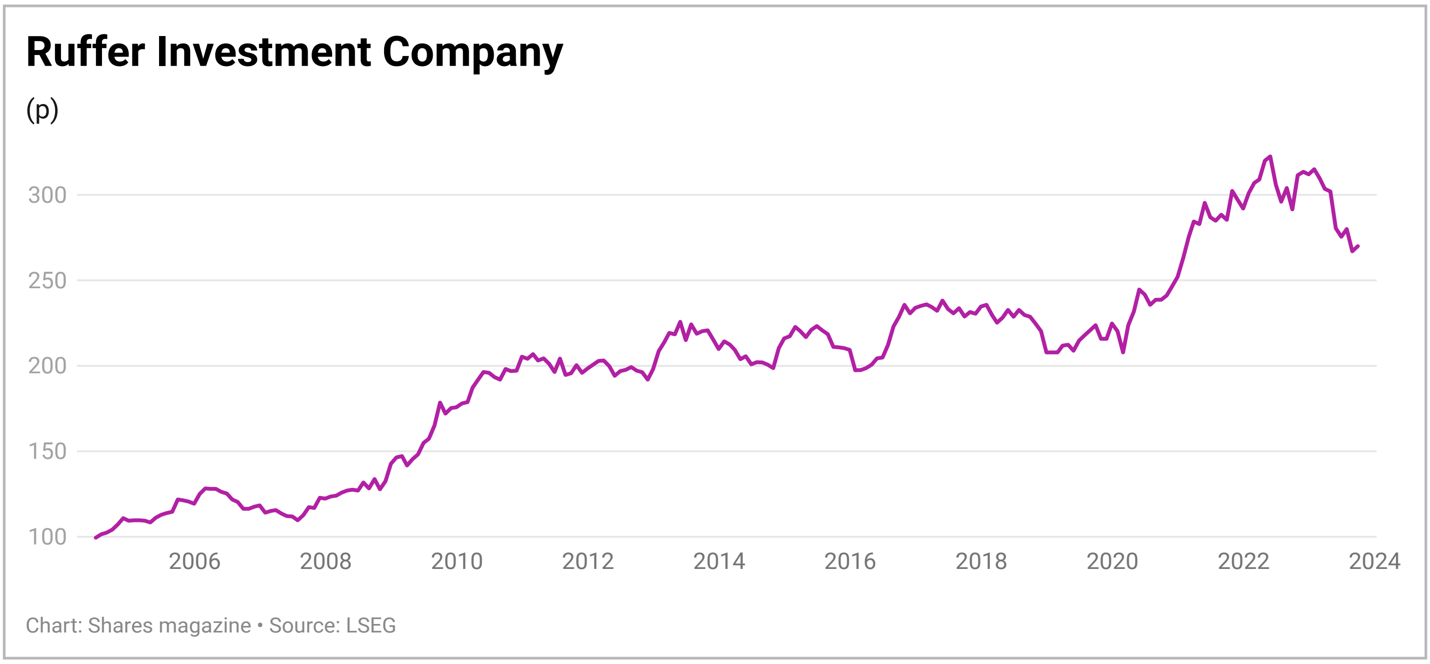


Chart: Shares magazine • Source: LSEG

prompt them to alter course, by which time it could be too late, but this is the balancing act central bankers have set themselves over the next year or two.

JPMorgan Asset Management's multi-asset team believes the risk of what they call 'the most widely-anticipated recession in history' actually coming to pass is easing.

'Convention dictates that restrictive rates for a prolonged period will eventually cause something in the economy to break. However, the imbalances that often help trigger recessions are notable by their absence or at least by their heterogeneity – stresses in one sector do not necessarily cause the dominoes to fall elsewhere.

'The result is that, broadly, the economy is less interest rate sensitive than many had assumed. At a more granular level, various stresses pass sequentially from one sector or region to another, leading to divergences in margins, earnings and valuations. In turn, this is generating relative value opportunities across assets and across securities but failing to deliver the synchronised slump so many had feared.'

INVESTMENT OPTIONS

Assuming rates do remain higher for longer, then you might want to consider a balanced fund, with decent diversification across different asset classes to provide some ballast to your portfolio. We like **JPMorgan Multi-Asset Growth & Income (MATE)**. Given the greater complexity of managing a portfolio of diverse assets, its charges are a little higher than a straightforward equity fund at 1.07% but it has delivered a three-year annualised return of 8.3%. The yield is decent at 5.3%. It invests in everything from stocks to high yield bonds, government debt and infrastructure. The shares trade at a 1.6% discount to NAV (net asset value).

More cautious investors might look at **Ruffer Investment Company (RICA)**, also trading at a modest discount to NAV (-4.9%). It has a clear remit of not losing money in any 12-month period and growing investors' wealth over the long haul. The trust is very cautiously positioned with more than 40% of its holdings in short-dated bonds or cash as of the end of September. While it has struggled in 2023 because it has not been invested in the US tech names that have accounted for nearly all the stock market's gains it is well placed should there be a big downturn in markets. Ongoing charges are 1.08%.

From a sector perspective, health care has performed during previous periods of high rates and tends to be fairly insulated from both fluctuations in the economy and central bank decisions. The one caveat is public finances are under pressure, however health spending tends to be prioritised. Low-cost exposure to the health care space can be achieved through **Xtrackers MSCI World Health Care (XWHS)** which has an ongoing charge of 0.25%. It tracks a basket of 141 health care stocks in developed markets.

By **Ian Conway** Companies Editor

Time to Bridge a Gap in Your Portfolio?

Explore the
Global X U.S. Infrastructure Development UCITS ETF

PAVG LN

GLOBAL X
by Mirae Asset

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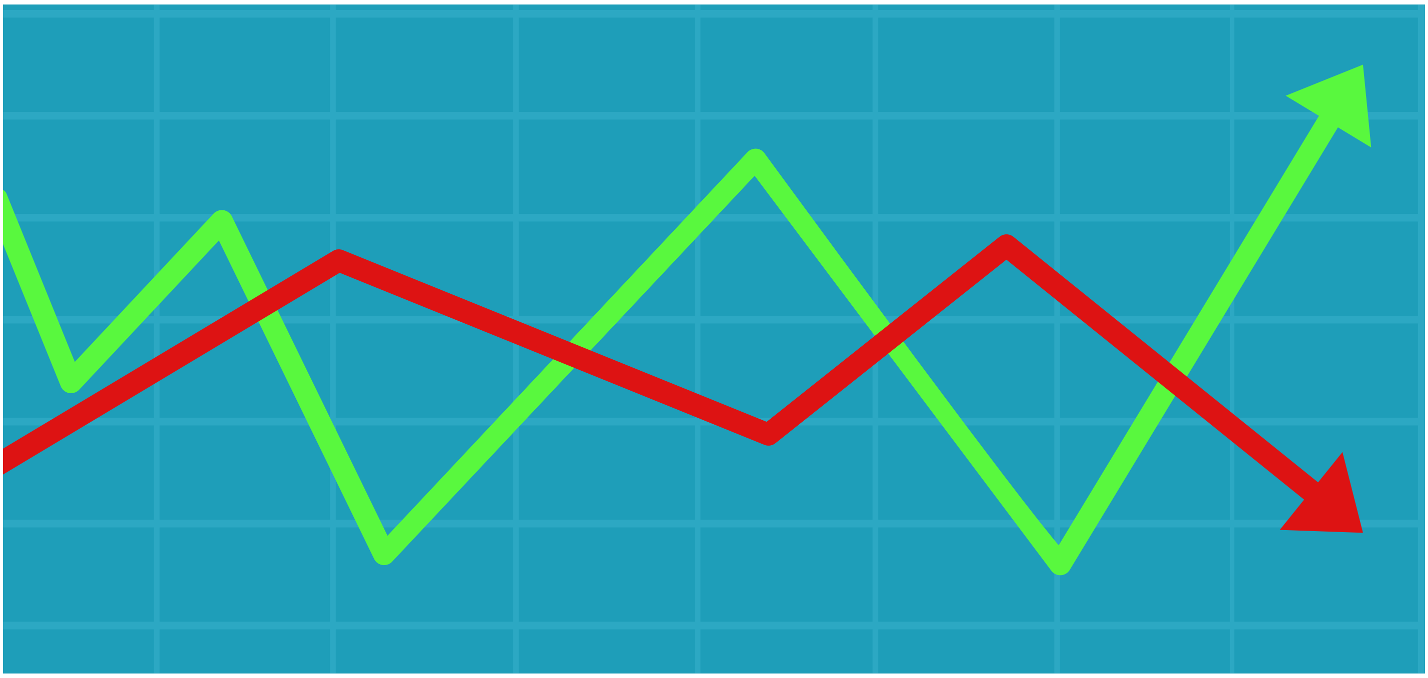

How to use 52-week highs and lows to find your next investment

Surprisingly buying new lows and highs can both be rewarding strategies

When a stock price makes a new 52-week high or low it is usually a sign of a strong trend. Going against the flow at these times is fraught with danger for investors betting for a sudden change in direction.

That is because share prices tend to overshoot. Behavioural scientists have shown that investors overreact to bad news and underreact to good news.

When bad news comes investors often sell for emotional reasons rather than rationally looking at how the fundamentals of the business (profit, cash flow, market position etc.) have been impacted by the news.

This is particularly the case when a stock holding is making a loss. In fact, studies have shown that the mental pain associated with paper losses is indistinguishable from physical pain.

Investors who have the fortitude and patience to see through negative news flow and focus on the fundamentals can unearth long-term buying opportunities among stocks trading at 52-week lows.

Although just because a stock is trading at a new 12-month price low does not automatically mean it is trading below what it might be worth. In other words, creating a 52-week low screen is just the starting point for further fundamental research.

But be mentally prepared because buying stocks with weak price momentum is tough and as mentioned at the start of the article, there is nothing to stop further price weakness. Timing the absolute bottom is nigh on impossible, but one thing to watch for is when a stock price rallies on bad news. This may indicate most the bad news has been discounted.

WHAT ABOUT 52-WEEK HIGHS?

Just as investor's emotions can get in the way of rational thinking when bad news appears they can also impair judgment when the opposite happens. Behavioural biases are again at work. Academic research has shown that stocks making new 52-week highs tend to outperform.

The reason is because investors perceive the new high as an 'anchor' and become reluctant to buy, waiting instead for a cheaper entry point. This hesitation occurs even after positive news hit the wires, which in a rational world should encourage a buying mindset. Savvy investors can therefore use 52-week high screens to identify potential stocks to purchase (assuming the fundamentals stack up).

Combining 52-week highs lows can be useful in gauging overall investor sentiment. For example, it is one of seven indicators which goes into *CNN's* 'Fear and Greed' index.

The index is designed to capture extreme sentiment and has a decent track record of pinpointing good buying and selling opportunities. It is a contrarian indicator which highlights when to bet against the crowd.

The 52-week sub-index takes a running total of new 52-week highs and compares it to new 52-week lows on the New York stock exchange. When there are many more highs than lows, it flashes greed, and it flashes fear when lows outnumber highs.

The latest reading on 20 October was flashing fear and the overall index is in fear territory suggesting a respite rally for risk assets could be on the cards. A free resource providing 52 week high/low data can be found at *Investing.com*. Paid for software services such as *Stockopedia* and *Sharepad* allows users to screen for shares trading close to 52-week highs/lows.

SCREENING FOR NEW HIGHS/LOWS

Each day a different list of names may occupy the new highs and lows list, so it is more practical to isolate stocks which are trading close to their lows/highs instead.

Shares has used Stockopedia software to screen for stocks trading near 52-week lows and highs. As referenced earlier when discussing the Greed and Fear Index, current market sentiment is poor with far more stocks trading near their lows than the number trading near to 12-month highs.

All the stocks in the 52-week lows table trade on a single digit one-year forward PE (price to earnings) ratio which may not be a surprise. Less intuitively eight of the stocks on the highs list also trade on a single digit PE which shows you do not always have to pay through the nose for stocks doing well.

One thing which jumps out is that **HSBC (HSBA)** makes the highs list while **Lloyds (LLOY)** and **NatWest (NWG)** are on the lows list. Lloyds is the UK's largest mortgage lender and both companies

UK stocks trading near 52-week lows

Name	Forward PE	PE five-year average
Kenmare Resources	3.2	7.7
Osb	4.0	6.5
Norcros	4.4	8.8
Natwest	4.6	9.3
Capital	5.3	7.1
Lloyds Banking	5.5	10.8
Energean	5.7	37.9
Speedy Hire	5.9	13.6
Redde Northgate	6.0	9.1
Jupiter Fund Management	6.1	10.3
VP	6.1	20.4
BT	6.2	7.4
Dowlais	6.2	n/a
IG group	6.3	10.3
British American Tobacco	6.4	10.4
Centamin	7.0	14.3
Close Brothers	7.3	11.9
ITV	7.5	8.6
Inchcape	7.7	12.9
Playtech	7.8	26.3
Learning Technologies	8.2	58.5
Gateley (Holdings)	8.5	18.3
Phoenix group	8.7	9.9
Kingfisher	8.8	8.8
Ibstock	8.8	28.8

Data as at 25 October 2023. PE= price to earnings ratio

Table: Shares magazine • Source: Stockopedia

UK stocks trading near 52-week highs

Name	Forward PE	PE five-year average Avg
Yellow Cake	3.0	5.7
3i	5.8	7.4
HSBC Holdings	5.8	11.2
BP	7.1	14.0
International Personal Finance	7.1	8.5
Shell	7.9	9.9
Ocean Wilsons Holdings	8.5	11.7
Cairn Homes	8.7	30.7
Finsbury Food	10.4	9.4
DX (Group)	10.8	9.6
Greencore	10.9	24.0
Tesco	11.7	11.7
Next	12.8	12.1
Property Franchise	12.8	14.5
Science	12.9	24.0
Computacenter	14.5	16.1
B&M European Value Retail SA	14.6	13.4
Wilmington	15.2	22.2
XPS Pensions	15.5	25.1
Cranswick	16.4	17.5
Ashtead Technology Holdings	16.5	19.4
Moneysupermarket.Com	16.7	19.1
BAE Systems	17.3	14.6
Haleon	18.8	n/a
Intercontinental Hotels	19.5	34.8

Data as at 25 October 2023. PE= price to earnings ratio

Table: Shares magazine • Source: Stockopedia

are exposed to the UK economy while HSBC is more influenced by Asia as it is globally diversified.

That said, it does look anomalous given the same macro factors are affecting all banks. Asian and emerging markets peer **Standard Chartered (STAN)** was also trading close to 12-month highs before being clobbered after missing third quarter earnings estimates on 26 October.

While banks benefit from rising interest rates thanks to a gap between what they charge to lend money compared with what they pay out on deposits, competitive and regulatory pressures can narrow this gap and, at some point, investors start to focus on credit risk and rising bad loans.

There are other financials on the lows list including **Jupiter Fund Management (JUP)** which is trading not only near 12-month lows but all-time lows. Although the overall asset management industry benefits from structural tailwinds driven by increasing demand for investment services, the way those services are delivered is changing rapidly.

Increased competition from passive investing is pressuring fee income which means only the largest and truly differentiated managers are thriving. It would be reasonable to expect more consolidation across the sector in coming months.

It is not a surprise to see oil and gas companies on the highs list given the strong oil price and geopolitical uncertainties. But there are other reasons why the sector could enjoy an extended period of outperformance.

Many investors have eschewed investing in traditional energy companies in favour of companies driving the green energy transition. These are typically long duration infrastructure assets trading on high PE multiples. Their shares have suffered as interest rates have increased.

By contrast **BP (BP.)** and **Shell (SHEL)** trade on low PEs which means they are less sensitive to interest rates. Both firms are scaling back investment plans to develop new oil and gas projects. Not only will these actions reduce future supply and potentially increase oil and gas prices, but it also leaves more cash to be distributed to shareholders.

By **Martin Gamble** Education Editor

ADVERTISING PROMOTION

TR Property Investment Trust

A painfully long goodbye:

The problem with open-ended property funds

Following more high-profile property fund suspensions, TR Property Investment Trust's manager Marcus Phayre-Mudge explains how investors can avoid having their money 'locked in' when investing in real estate.

'Death by a thousand cuts' is a phrase that has been deployed to describe the state of the UK's open-ended property fund sector. Last month, M&G announced it would close its Property Portfolio, which invests in an array of physical assets, due to "declining interest in open-ended daily dealing property strategies". Another recent casualty is a St James's Place property fund, which suspended dealing amidst an increase in withdrawal requests.

Every time this issue resurfaces it results in headlines that focus on how 'property funds' have run into trouble, wrongly implying that all real estate-focused funds have underlying liquidity problems.

The problem with open-ended property funds

The examples above are just the latest in a saga that has dragged on since the 2008/09 financial crash. Property fund suspensions then recurred during the market turbulence surrounding 2016's Brexit referendum; and again, as markets grappled with the fallout from Covid-19.

The rules behind open-ended funds enable investors to sell their stake more-or-less instantly, after which they should receive their cash in a matter of days. In reality, the funds' underlying assets (property) take months to sell. This means in times of market stress, a 'rush to the exit' forces the fund to suspend dealing to avoid a situation where the fund must sell properties under duress to meet investors' cash-out requests. But the cruel result of the suspension is that people's savings are locked up for an indefinite period, in a fund that was supposedly 'liquid'.

How to obtain liquid exposure to property

The best-known *truly* liquid choice for retail investors looking for property exposure are real estate investment trusts (REITs). REITs are listed on public stock exchanges and are essentially giant landlords that often specialise in a sub-sector – say warehousing or supermarkets.

TR Property Investment Trust can be thought of as a diversified basket of UK and European REITs and other property companies, with a small exposure (about 7 per cent of The Trust's value) to physical UK property. We are listed on the London Stock Exchange and crucially, our investors can sell their shares on any trading day should they wish.

While shares in closed-ended funds like TR Property Investment Trust are bought and sold on a stock exchange, and the share price moves up and down, no new shares are created in this process and no new money flows into the underlying Trust. In contrast, the open-ended funds we discussed above accept a constant flow of new capital, issuing new shares and buying back their own shares when investors want to leave.

Why TR Property

Our aim at TR Property is to make it easy to gain broad, balanced, *liquid* exposure to the UK and European property sector. The Trust has beaten its benchmark in 11 of the past 12 years, and has delivered dividend growth in every one of these years.

In what has been a challenging market for commercial property, we continue to focus on companies operating in supply-constrained sectors that have little near-term refinancing, manageable loan-to-value ratios and all importantly, the ability to grow their top line earnings through inflation-linked rental agreements.

Chinese EV maker BYD overtakes Tesla to become largest global producer

The company's annual revenues are forecast to top $100 billion in 2024

Chinese EV (electric vehicle) maker **BYD (002594:SHE)** overtook **Tesla (TSLA:NASDAQ)** to become the world's largest producer in 2022 after global production surpassed 10 million for the first time according to industry publication *EV Volumes*.

While Tesla remains the market leader in terms of annual revenues, analysts' projections see BYD catching up fast.

Recent third quarter results suggest Tesla is driving with the brakes on while BYD is cruising into top gear.

BYD pleased investors on 17 October after saying it expected to deliver third quarter profits of between $1.3 billion and $1.6 billion compared with analysts' expectations of less than $800 million.

The company was scheduled to release it earnings on 31 October but went early when it became clear its projections were way out of whack with market forecasts.

Part of the reason for the big earnings beat is that the company sold more cars with a richer mix of features than the consensus was expecting, explains Citi analyst Jeff Chung.

Meanwhile Tesla disappointed investors after missing third quarter Wall Street estimates on 18 October, delivering EPS (earnings per share) of $0.66 compared with $0.73 pencilled in by analysts.

Price cuts reduced operating margins from 17.2% a year ago to just 7.6%.

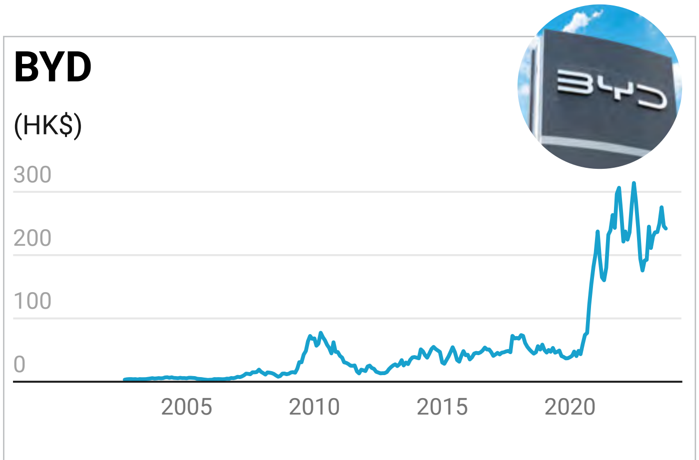

Chart: Shares magazine • Source: LSEG

Tesla has been aggressively dropping prices for some models over the last few months as it looks to drive volumes, gain market share, and make its vehicles more affordable.

Dampening growth expectations, Elon Musk said high interest rates were putting off buyers despite substantial price cuts. This means production ramp-up at its Mexican factory will be put on hold in the face of economic headwinds.

If Tesla wants to make it cars more affordable, BYD is already ahead of the game. In China for example, BYD's entry level EV the *Seagull* retails at $11,000 while Tesla recently unveiled a *Model 3* sedan at $36,000.

BYD has a crucial advantage when it comes to cost because its original business was making batteries, which it still makes inhouse, while Tesla relies on third parties. The battery is one of the most expensive component parts of an EV.

Investment bank UBS estimates this translates into a 15% cost advantage for BYD.

The Chinese firm is building significant brand awareness and last year became the bestselling brand in China ahead of **Volkswagen (VOW:ETR)**.

Warren Buffett's **Berkshire Hathaway (BRK.B:NYSE)** purchased a 21% stake in BYD in 2008, forking out $230 million.

Berkshire's investment was worth around $7 billion at its peak in 2022. According to regulatory filings Berkshire has been selling down its stake this year, reducing its holding to just under 10%.

By **Martin Gamble** Education Editor


BING! BANG! BONG!
That's the sweet sound of taking control of your investments with AJ Bell.
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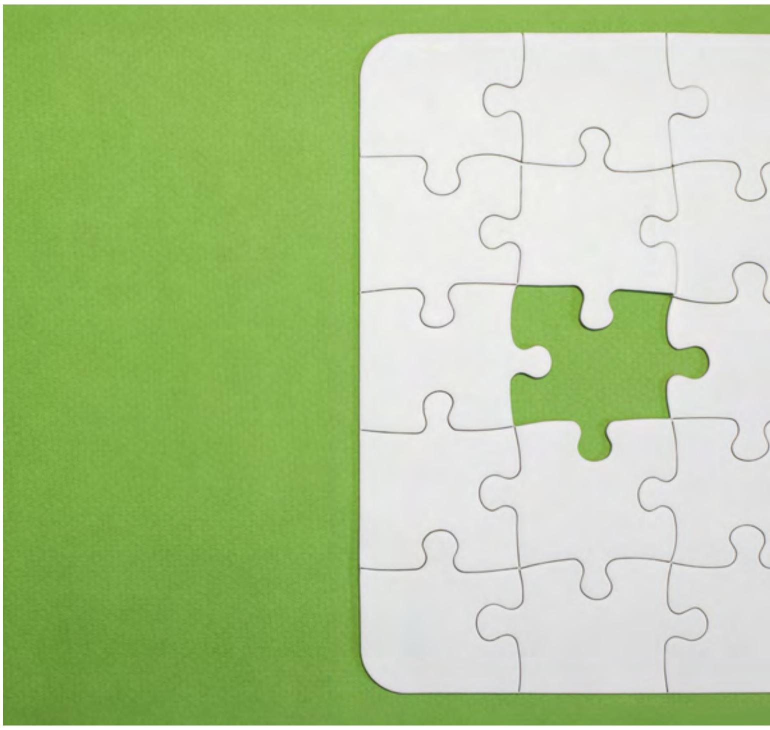
Feel good, investing.
Recommended Provider
Which?
Investment Platforms May 2022
Capital at risk.

Why quality capital allocation is a useful but incomplete investment metric

Companies proven at spending your money wisely warrant close attention



If you buy Warren Buffett lore that you should only invest in companies that you're happy to own forever, you want to make sure they're up to it. One of the key things that **Fundsmith Equity (B41YBW7)** founder Terry Smith, and many other top investors, use to evaluate companies is a measure called return on capital employed, or ROCE for short. This looks at a company's profitability compared to how much capital is invested in the business and is measured by profits divided by a company's net assets, represented as a percentage.

This is one of Smith's chief investment measurements used to decide if Fundsmith Equity will buy a share or not. The higher the figure, the better – it usually signals that a company has a competitive advantage over its rivals, as it can make more money from putting the same amount of capital to work.

There's no hard and fast measuring stick but a useful rule of thumb is that mid-teens is decent, 20% is good, higher is exceptional.

TERRY SMITH'S TOP INVESTMENT MEASURES

- Gross profit margin
- Operating profit margin
- **Return on capital employed**
- Cash generation and conversion
- Financial stability

Better than average capital allocation is one of a chief executive's most important jobs, and some do it well, most do not. Data from *Sharepad* shows that a little more than 10% of FTSE 350 companies (37 stocks) averaged ROCE of 20% or more over the past five years. The 20% benchmark is bettered by around one-in-five of S&P 500 companies (105), while only five of the Euronext 100 stocks qualify.

That means just over 15% (147 of 955 companies) of leading stocks across the UK, Europe and the US would qualify if investors demanded 20% average return on capital employed to merit further investigation. This should not be so surprising.

NEEDLE IN A HAYSTACK

Finding projects or investments capable of generating standout returns is tough. A CEO might be able to generate a decent profit by building a new factory or opening a new shop, say, but what really matters is how those return compares to the cost of the cash spent. The bigger that gap – or spread between return and cost – the more value has been added, and usually the firm's stock is rewarded for that.

For example, let's say that a firm wants a 'spread – that's the return minus the cost – of 10%. When interest rates were 1% (that's the cost part), any spending that earned a return of 11% or more was golden. But with interest rates now north of 5%, projects must return 15% or more to make that 10% spread. And because opportunities like that are few and far between, only the very best CEOs

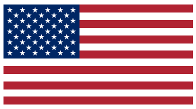
How FTSE 350 companies compare for ROCE versus share price performance

	Average five-year ROCE	Five-year annualised share price return
Rightmove	414%	2%
Plus500	105%	1%
Softcat	69%	13%
Games Workshop	68%	26%
Hargreaves Lansdown	61%	-17%
4imprint	56%	22%
Auto Trader	53%	9%
FDM	51%	-13%
Kainos	49%	23%
Moneysupermarket	38%	-2%

ROCE = return on capital employed

Table: Shares magazine • Source: Sharepad

Correlation between ROCE and share price is better in the US



	Average five-year ROCE	Five-year annualised share price return
VeriSign	95%	7%
Domino's Pizza	79%	5%
Mastercard	52%	14%
Home Depot	47%	9%
YUM Brands	45%	7%
IDEXX Laboratories	44%	13%
Autozone	44%	27%
Robert Half	43%	4%
Texas Instruments	43%	9%
O'Reilly Automotive	43%	23%
HP	42%	2%
Expeditors International	42%	10%
Mettlet Toledo	41%	13%
Philip Morris	41%	-1%
Paychex	41%	11%
Automatic Data Processing	40%	9%
Pool Corp	37%	17%
NVR	37%	19%
Apple	37%	26%
S&P Global	35%	14%

ROCE = return on capital employed

Table: Shares magazine • Source: Sharepad

and management teams can consistently invest in a way that delivers attractive spreads or returns.

The digital economy has moved the equation on from just factories and shops, but even investing in intellectual property – software, new customers etc. – the same rules apply.

On the face of it, there should be a correlation between above average ROCE and benchmark-beating share price returns, but does the data demonstrate this? Looking at the FTSE 350, the answer is a resounding... sometimes. Stripping out companies that do not have a five-year share price track record (they have not been listed that long), four of the top 10 ROCE performers have delivered double-digit share price returns, led by **Games Workshop's (GW)** 26.5% average annual gain.

Yet **Rightmove (RMV)** and **Plus500 (PLUS)**, which sit right at the top for ROCE five-year averages, have been barely positive, handing investors just 1.7% and 1.3% share price returns, on average, a year since 2018, albeit during a period when the

benchmark FTSE 100 has gone basically sideways (up just 3.6% in five years).

WHAT THE US DATA TELLS US

Looking at US stocks on the S&P 500 index, the data also paints a patchy picture of above average ROCE as an indicator of better share price performance. Over the five years since 2018, the index has increased by just over 50%, from around 2,723 to the current 4,117, implying about 10% a year.

Of the top 50 average ROCE stocks over five years, 32 have returned more than the S&P 500 benchmark on an annualised basis, with 15 putting up impressive 20%-plus annualised share price returns. But that still leaves 18 of 50 top ROCE stocks doing worse than a simple index trackers for investors, with **Philip Morris (PM:NYSE)**, **MarketAxess (MKTX:NASDAQ)**, **Best Buy (BBY:NYSE)** and **CH Robinson Worldwide (CHRW:NASDAQ)** failing to average any positive returns at all.

What seems clear from the data is that while ROCE can be a very effective tool for whittling out stock investment options for investors to investigate further, it is an incomplete metric on its own.

DISCLAIMER: The author has a personal investment in Fundsmith Equity.

By **Steven Frazer** News Editor

ShareSoc
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Events

TITLE	Type of event	Date	Link to register
HELIOS UNDERWRITING PLC (HUW)	Company Webinar	7 Nov 2023	Click here to register
THE EUROPEAN SMALLER COMPANIES TRUST PLC (ESCT)	Company Webinar	9 Nov 2023	Click here to register
TIME FINANCE PLC (TIME)	Company Webinar	15 Nov 2023	Click here to register
CQS NEW CITY HIGH YIELD FUND LIMITED (NCYF.LN)	Company Webinar	23 Nov 2023	Click here to register

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Know Evenlode's income funds? Find out about its global equity product

A three-year annualised return of more than 10% represents an impressive start

Chart: Shares magazine • Source: LSEG

It may not be as well-known as the other two funds from the Evenlode Investment stable – **Evenlode Income (BD0B7D5)** and **Evenlode Global Income (BF1QNC4)** – but **Evenlode Global Equity (BMFX289)** has churned out some strong performance by focusing on stocks where growth is a 'marathon not a sprint'.

Since its launch a little over three years ago Evenlode Global Equity has returned 38.3% to investors beating its benchmark the MSCI World index of 37% and its sector performance of 26.7%. Though it has found things harder going in 2023.

It currently has £278 million assets under management and is steered by Chris Elliott and James Knoedler. Ongoing charges are 0.85%.

WHAT MAKES THIS FUND DIFFERENT?

So, what makes this relatively new global equity fund different from others in the global sector?

One of the reasons for this fund's strong performance is the investment managers' choice of high quality, cash generative companies at sensible valuations for its portfolio.

'We also give our portfolio a nudge every week to assess its constituents, saying that you don't have to make a change when you revisit your portfolio. There is a tension between having a low turnover with a growth fund and having a weekly dealing event', says manager Knoedler.

'When we meet, we don't have to buy and sell anything, if it is not needed, we can stand back from the process. When we do trade it is incremental and progressive, you are trying to make the portfolio a little better in terms of your risk-adjusted compounding potential, so we don't necessarily do massive, large trades in and out of stock,' says Knoedler.

'BUILT FOR MARATHONS NOT QUARTERLY SPRINTS'

Knoedler explains his fund differs from other global equity funds as 'we look at the future profits of a company at company level'.

'We have a bottom-up stock selection process and a valuations system which is very important to us. We put a higher value on companies which are set up to grow longer, not necessarily faster. These companies are built for marathons not quarterly sprints. If a company is expensive [as an investment manager] you put yourself in a really trick spot – you can pick the right stock – but at the wrong price and you get taken out when the market falls.

'There are two things we are very diligent about and that is we are very attentive to the valuation and to the long-term piece. Marrying the two is extremely hard as there is a tension between the two and that's where we spend the bulk of our

GEOGRAPHIC EXPOSURE

The fund has a relatively low exposure to the UK (17.7%) and Asia (2%) which perhaps is a good thing considering the current performance of the UK economy and the 'flat' China post-pandemic reopening at the start of 2023 which disappointed investors.

Most of the fund's regional exposure is to North America (52.9%) and Europe (26.6%). The fund's exposure to the US comes as little surprise due to its benchmark's weighting to the US – as of 29 September 2023 – at 69.7%.

There is little or no exposure in the Middle East, Latin America, Africa, Emerging Asia markets. These regions come with greater risks attached and are more volatile.

Evenlode Global Equity - geographic breakdown

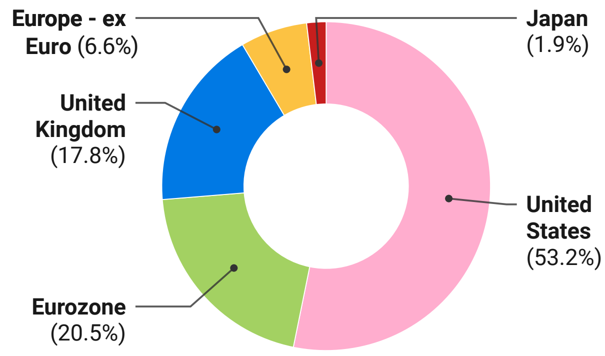

Chart: Shares magazine • Source: Morningstar, data to 31 August 2023

effort. It is a constant balancing act.'

Knoedler adds: 'What is important to us is how we manage valuations, how profitable the business is, a company's pricing power, if it has a strong valuation system in place, we ask questions like are US tech giants like **Alphabet (GOOG:NASDAQ)** and **Microsoft (MSFT:NASDAQ)** overvalued? Will **Amazon (AMZN:NASDAQ)** be broken up?'

WHAT DOES THE FUND AVOID?

The fund's sector allocations are striking – with weightings towards Financial Services (21.41%), Industrials (22.67%), Consumer Discretionary (27.25%) and Communication Services (7.2%) with limited exposure to the technology sector.

This asset allocation served the fund well last year – which saw big tech stocks collectively lose nearly $4 trillion in market value, according to research by US data firm Morningstar – but not so much this year when stocks like **Nvidia (NVDA:NASDAQ)** have led the market.

Saying that the fund does include Microsoft in its top 10 holdings – holding 5% (as of 31 August 2023) and Google-owner **Alphabet (GOOG:NASDAQ)** – holding 5.52%. The fund's largest holding is in global financial services giant **Mastercard (MA:NYSE)** (6.86%) and global information services company **Wolters Kluwer (WKL:AMS)** (5.62%).

Chris Elliott is keen to add that the fund is not 'tech company adverse' but doesn't invest in companies which are speculative.

Elliott says: 'We rely on companies which are profitable now, generate cash flow now and returns on investment. Sometimes that rules out companies that are very good businesses, but a lot has to go right for them to generate cash returns in the future.'

Knoedler adds: 'Technology is a business where there is a lot of innovation and things can come out of nowhere and it is harder to put a premium on that.'

WHY ESG STILL MATTERS

Investing according to ESG (environmental, social and governance factors may not be as fashionable with investors as it once was but it still forms an important part of Evenlode's approach.

In 2017, there was a marked shift by Evenlode Investments to incorporate sustainable investment choices across its portfolios. So, for example in 2017, Evenlode made the decision not to hold any tobacco-related stocks.

Elliott says no sensible investor 'would ignore ESG risks. 'Time and time again they have proven to have real effects on the profitability of companies.'

By **Sabuhi Gard** Investment Writer


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strategicequitycapital.com
Capital at risk. Investments in smaller companies typically involve a higher degree of risk. Not an investment recommendation.

Discover what conflict in Middle East means for gold and oil

Precious metal has returned to $2,000 per ounce as stocks sink amid the turmoil

Since the conflict in Gaza started on 7 October gold and oil prices have both enjoyed high single-digit gains.

It's tough for stocks when gold and oil are moving in concert, as is demonstrated by the commensurate 4% fall in the MSCI World in the same period. This makes sense. Markets struggle with uncertainty and when the two commodities are moving higher at the same time it is typically for geopolitical reasons.

The precious metal has even reclaimed the $2,000 per ounce mantle it surrendered in early summer. Prior to October, gold had struggled thanks to a rise in 'real' or inflation-adjusted interest rates. When the yields available on low-risk asset classes like government debt are higher, assets like gold, which offer no income, lose some of their appeal. However, gold also has a safe-haven role.

Liberum comments: 'We always encourage our investors to hold at least some gold in their portfolios throughout a cycle. For while conflict is rare, it is also unpredictable, and poses a substantial risk to financial market stability when it occurs. Even in the 21st century, gold can help protect a modern investor's capital during these events.'

The broker has analysed the impact of other global conflicts and major market shocks on gold – this analysis is shown in the table.

On this occasion Liberum says there is little doubt that the war in Gaza is the cause.

For now, the increase in energy prices has been reasonably contained despite the escalating tensions. However, if further parties are drawn in, that could change.

Helpfully, the World Bank has outlined three different scenarios and the likely impact on oil prices, which it warns could spike to more than $150 per barrel in the most extreme of this trio.

Its 'small disruption' scenario, in which global oil supply falls by 500,000 to two million bopd (barrels of oil per day), equivalent to the impact of the Libyan civil war in 2011, would see prices rise to a range of $93 to $102 per barrel.

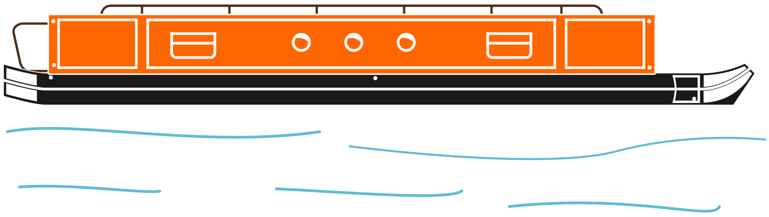
The 'medium disruption' scenario – on a par with the 2003 Iraq War – with global oil supply falling between three million to five million bopd, could take crude to between $109 and $121, while a 'large' disruption scenario comparable to actions taken during the 1973 Yom Kippur war, with supply falling by six to eight million bopd, could drive oil all the way to between $140 per $157 per barrel.

Selection of gold price-driving global events

Event	Start	End	Price rally (months)	Price (%)
Yom Kippur War	06-Oct-1973	25-Oct-73	6	64
1979 oil crisis	05-Apr-1979	14-Apr-79	9	180
Falklands War	02-Apr-1982	14-Jun-82	10	40
Gulf War	15-Aug-1990	28-Feb-91	2	12
Bosnian War	06-Apr-1992	14-Dec-95	15	16
Global Financial Crisis	10-Jul-2007	15-Sep-08	8	47
Russo-Ukrainian War	24-Feb-2022	present	1	7
Israel–Hamas War	07-Oct-2023	present	1	9

Table: Shares magazine • Source: Bloomberg, Liberum, 26 October 2023.

Selling a canal boat to make a financial fresh start



Peter aims to retire in less than 20 years having recently started his investment journey

A change in personal circumstances following a few years of being down on his luck gave Peter the chance of a fresh start and to consider taking control of his financial future.

The sale of a canal boat allowed Peter to settle things with his partner and provide a lump sum to invest. He considered consolidating five of seven private pensions into a single pot with a view to opening a SIPP (self-invested personal pension).

TAKING THE FIRST STEPS

Before setting that wheel in motion Peter wanted to be sure managing his own investments was the right decision. He opened a Stocks & Shares ISA with an initial goal of getting a better understanding of how buying and selling stocks worked.

As a complete novice Peter admits the whole thing was a bit of an experiment. But he hatched a plan to invest in a retail bank, a mining company, a high street retailer and an entertainment company.

OFF TO A FLYING START

Peter set about trying to identify the cheapest companies in each of his chosen sectors. Lady luck smiled on Peter and one of his first investments, mining group **BHP (BHP)** got off to a flying start.

At the time in early 2021 BHP moved its primary listing from the **London Stock Exchange (LSEG)** to the Australian stock market. Later in the year BHP spun-off its oil services business after merging oil and gas assets with **Woodside Energy Group (WDS:ASX)** which meant Peter received shares in specie. Peter has since added to his holding in Woodside Energy.

The luck didn't last however after Peter decided to invest in global cinema group Cineworld as part of his entertainment exposure.

Unfortunately, the company filed for administration this year. There is some semblance of a silver lining though in that having lost 90% of his initial investment in Cineworld, Peter didn't add to his position.

LEARNING LESSONS FROM FAILURE

Researching further into why the shares had fallen Peter discovered the business had taken on a lot of debt which ultimately was a key factor in its demise.

Peter says: 'That was my first big fundamental lesson, research all ideas fully before pressing the buy button.' That experience also led him to take a closer look at a company's balance sheet.

After a few months investing for himself, Peter who drives heavy goods vehicles for a living, decided to go ahead and consolidate his pensions and open a SIPP, funding it with a small lump sum.

Some of the pension transfers took weeks while others dragged on for months which Peter said was hard to fathom. If he had to do it again, with hindsight Peter said transferring one at a time would save confusion when chasing up paperwork.

Peter also believes that spreading out the transfers means he could have benefitted from averaging the initial cost of his investments which mitigates the risk of sudden drop in shares prices immediately after purchase.

A BLENDED APPROACH TO RISK

Peter told *Shares* that he sees his SIPP as the core of his investments where he takes little risk and focuses on blue-chip UK-based companies which pay steady dividends.

He said he is willing to take on more risk in the ISA and does occasionally stray into overseas territories.

As a self-confessed 'petrolhead' it is perhaps not a surprise to discover Peter owns shares in **Liberty Media (FWONA:NASDAQ)** which owns the

Peter's portfolio

Shares in SIPP	Shares in ISA
Anglo American	BHP Group
AT&T	Cineworld
HSBC	Global Ports Holding
M&G	GSK
Mobico	ITV
Persimmon	Liberty Media Formula One
Rolls-Royce	Lloyds Banking
Smith & Nephew	Marks & Spencer
Star Bull Carriers	Woodside Energy
Tesco	
Funds in SIPP	**Funds in ISA**
AJ Bell Income & Growth	AJ Bell Adventurous
AJ Bell Moderately Adventurous	

Table: Shares magazine • Source: Investor's own records

broadcasting rights to Formula One.

Another sign of different risk approaches to the ISA and SIPP can be seen in Peter's choice of funds. The ISA holds the **AJ Bell Adventurous Fund (BYW8VG2)** which is designed for investors willing to take more risk.

It allocates 85% of the portfolio to shares which are riskier than bonds and cash. By contrast Peter owns the **AJ Bell Moderately Adventurous Fund (BYW8VL7)** in his SIPP.

Peter is very conscious of spreading his investments across several companies to create as much diversity in the portfolio as possible. Where possible he aims to equal weight each holding.

Keeping fees as low as possible is also a priority for Peter. He prefers to invest once a month and has set-up a regular investment plan.

FINDING INVESTMENT IDEAS

Given most of his outgoings are in the first week of the month Peter has a good idea how much spare cash he has available to invest each month.

He generally adds to holdings which have been weak, believing in the long-term growth and income potential of his share picks.

Peter finds investment ideas by reading *Shares magazine* and scouring the internet for the latest company news.

Forty-one-year-old Peter is hoping to build a nest egg which allows him to retire before he reaches 60, although he doesn't envisage stopping entirely. He has paid-off around half of his mortgage.

Reflecting on the past couple of years Peter said investing has become a very enjoyable hobby.

In terms of retirement, he says rather modestly: 'I guess it's worth adding, I have no lavish plans for retirement. If I could live at home producing my own fruit and veg, maybe with a few chickens, along with a motorhome to tour the UK I'd be perfectly happy.'

DISCLAIMER: Please note, we do not provide financial advice in case study articles, and we are unable to comment on the suitability of the subject's investments. Individuals who are unsure about the suitability of investments should consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term. Tax treatment depends on your individual circumstances and rules may change. ISA and pension rules apply. Financial services company AJ Bell referenced in the article owns Shares magazine. The author of the article (Martin Gamble) and the editor of the article (Tom Sieber) own shares in AJ Bell.

By **Martin Gamble** Education Editor

One year to go: do markets need to care about who is the next US president?

Attention is likely to turn to the race for the White House in the near future

It is a year to the 60th US presidential Election, on 5 November 2024, and although financial markets are more concerned right now about events in the Middle East, the oil price and inflation right now, they will soon start to take a keener interest in the race to the White House.

Incumbent Joseph R. Biden will start his campaign for the Democratic Party's nomination in January with the Iowa caucus and the expectation is that he and current vice-president Kamala Harris will prevail, especially as only Marianne Williamson is the only confirmed opponent for the moment. Around a dozen Republicans have entered to race the lead the Grand Old Party and the contest will begin in Iowa and New Hampshire in January. Donald Trump leads the polls and if they are accurate then America will get its first presidential rematch since 1956. Biden may well welcome that precedent, since that was when Dwight Eisenhower beat Adlai Stevenson for the second time to retain the presidency (even if the two-time victor was a Republican).

Investors may also look to history to see what the election may mean this time around, even in the knowledge that the past is no guarantee for the future. A study of post-1945 ballots shows that the US stock market traditionally gets an attack of the nerves in the final year of a presidency, as it is the weakest year, on average, using the Dow Jones Industrials as a benchmark.

IT'S THE ECONOMY, STUPID

This caution in the final year of a presidency is more pronounced under the Democrats and may reflect nothing more than markets' fears of a swing to the left, even if the Dow Jones does better, on average, under them than under the Grand Old Party. Nor should investors forget that Trump was perceived as a *risk* to markets before his election in 2016, thanks in particular to his policies on trade and international relations.

As such it may not pay to get too caught up in the identity of the winner of either the party races or indeed the presidential election, where the thought of an 81-year-old Biden grappling with the 78-year-old Trump for the second time is prompting independents to consider a run. Robert F. Kennedy is planning just such a bid and that could make predictions even more dangerous than usual – H. Ross Perot's Reform party's presence in 1992 opened up the door to a Democratic win for Bill Clinton over the incumbent Republican, George

US stock market tends to approach presidential elections with some caution

Inauguration	President	Party	Year 1	Year 2	Year 3	Year 4	Term
20-Jan-49	Harry S. Truman	Democrat	13.6%	21.3%	10.3%	5.8%	60.8%
20-Jan-53	Dwight D. Eisenhower	Republican	0.4%	35.9%	18.2%	2.8%	65.8%
20-Jan-57	Dwight D. Eisenhower	Republican	-6.3%	33.2%	8.1%	-1.4%	32.9%
20-Jan-61	John F. Kennedy *	Democrat	10.5%	-4.0%	14.9%	15.8%	41.1%
20-Jan-65	Lyndon B. Johnson	Democrat	10.3%	-14.2%	3.9%	5.8%	4.0%
20-Jan-69	Richard M. Nixon	Republican	-16.5%	9.3%	7.1%	12.7%	10.2%
20-Jan-73	Richard M. Nixon **	Republican	-16.6%	-24.3%	46.7%	1.0%	-6.5%
20-Jan-77	Jimmy Carter	Democrat	-19.0%	7.8%	3.5%	9.6%	-0.9%
20-Jan-81	Ronald Reagan	Republican	-11.0%	26.6%	17.6%	-2.5%	29.1%
20-Jan-85	Ronald Reagan	Republican	24.6%	37.6%	-10.7%	19.0%	82.1%
20-Jan-89	George H. W. Bush	Republican	19.8%	-1.2%	22.9%	-0.4%	45.0%
20-Jan-93	Bill Clinton	Democrat	20.0%	-0.6%	34.0%	32.0%	111.1%
20-Jan-97	Bill Clinton	Democrat	15.0%	18.6%	21.6%	-6.7%	54.7%
20-Jan-01	George W. Bush	Republican	-7.7%	-12.1%	22.6%	-0.5%	-1.1%
20-Jan-05	George W. Bush	Republican	1.9%	17.8%	-3.7%	-34.3%	-24.1%
20-Jan-09	Barack Obama	Democrat	33.4%	11.5%	7.6%	7.3%	71.7%
20-Jan-13	Barack Obama	Democrat	20.6%	6.4%	-10.0%	25.8%	45.3%
20-Jan-17	Donald J. Trump	Republican	31.5%	-5.2%	18.8%	5.4%	56.0%
20-Jan-21	Joseph R. Biden	Democrat	12.2%	-3.9%	-0.7%		
	Average		7.2%	8.4%	13.0%	5.4%	37.6%
	Average - Democrat		13.0%	4.8%	10.7%	11.9%	48.5%
	Average - Republican		2.0%	11.8%	14.8%	0.2%	28.9%

Table: Shares magazine • Source: LSEG. * John F. Kennedy assassinated in November 1963 and replaced by Lyndon B. Johnson ** Richard M. Nixon resigned August 1974 and replaced by Gerald R. Ford *** Joseph R. Biden's first term concludes on 19 January 2024

Shiller CAPE methodology still suggests US stocks are expensive

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

W. Bush, at least in the eyes of some, not least because Perot bagged 19% of the vote.

However, George Bush's 1992 defeat was as much down to the US recession of the time. The state of the US economy will have a huge influence on both the 2024 ballot and the American financial markets for good measure.

Federal Reserve policy will be one huge factor here and the central bank is independent - although some may be tempted to argue it caved into presidential pressure when it pushed through three interest rate cuts in 2019.

In addition, corporate profits and especially cash flows drive equity valuations over the long term, and they are largely (although not exclusively) the result of the broader economic cycle.

Going back to the data, the impact of the wider macro backdrop upon US equity market performance seems pretty clear. Investors and voters alike gave credit to Ronald Reagan for the reforms he promised and then initiated to drag the US out of an economic funk in the early 1980s.

The recessions of 1948-49, 1954-55, 1957-58 and 1960-61 did not unduly harm stock market performance under Truman, Eisenhower, Kennedy and Johnson but the Dow Jones sagged during the 1970-71 and 1973-75 downturns during the Nixon/Ford years. George W. Bush had nothing to do with the tech bust at the turn of the millennium or the collapse of the US housing market but the recessions of 2001 and 2008-09 mean that the Dow did badly across both of his terms.

The economic booms of the 1950s and 1980s and the recovery from the 2007-09 bust (helped by Fed largesse) meant the stock market did well under Truman, Eisenhower, Obama and Trump.

PRICE MUST BE RIGHT

But investors must also account for equity valuations.

Using professor Robert Shiller's cyclically adjusted price/earnings (CAPE) ratio as a benchmark, the S&P was trading on historically lowly valuations in 1949 and 1953 when Truman and Eisenhower took office, while the ravages of inflation in the 1970s meant that the valuations were rock bottom when Reagan took over in the early 1980s.

That created plenty of potential for upside and the same could be said of when Obama became president in January 2009 just as the financial crisis was abating and a bear market had wreaked havoc.

By contrast, George W. Bush came to power just as the TMT bubble had driven valuations that made even the dizzying (and disastrous) heights of 1929 seem modest. In his case, almost the only way was down and with the Shiller CAPE multiple back near historic highs, the next president and investors could be forgiven for wondering what may come next.

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

Regular investing 101: what is it and how can I make it work?

There are several benefits to drip-feeding cash into the markets

Setting up regular investing is a terrific way to automate your investments and take the day-to-day hassle out of investing. Here we explain how it works, the benefits and the checks you should make to stay on track.

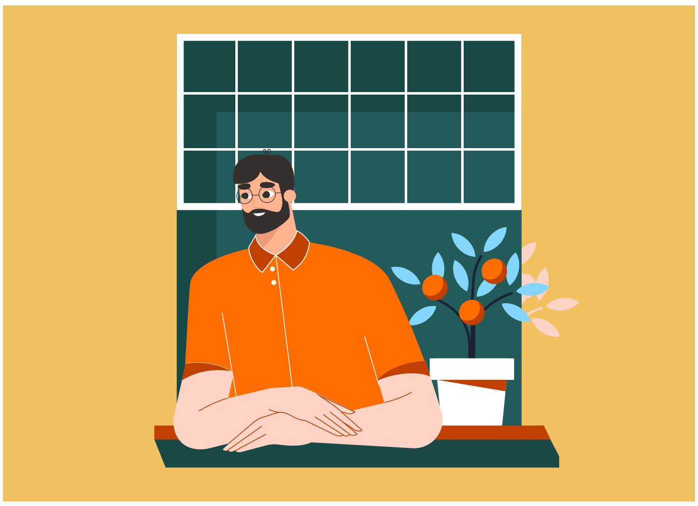
WHAT IS REGULAR INVESTING?

The regular investment service lets you save as little as £25 a month into investments of your choice. You set up the service, pick how much you want to invest each month and then select which investments you want to buy and then you're sorted. You just need to ensure you have enough cash in your account – or you can set up a direct debit from your bank account to pay cash in each month.

WHAT ARE THE BENEFITS?

The big benefit it not having to worry about remembering to invest each month. Often we intend to fund our investment account but forget to do it, meaning that we invest in fits and starts. But with regular investing you will invest the same amount each month without having to remember.

Another benefit is that you get a discounted dealing charge – meaning whatever investment you pick it will only cost you £1.50 to buy. You can pick from a huge range of investments, from popular shares, funds, investment trusts and ETFs. Considering buying shares, investment trusts and ETFs can cost up to £9.95 – that's a big saving.



Perhaps the biggest win of regular investing is avoiding trying to time the market. Lots of people might sit on the sidelines thinking that they can pinpoint when to get into stock markets. But history has shown us that it's very hard to time the market accurately (even the professionals struggle to do it consistently). It means that often investors miss out on market gains because they are waiting for the ideal time to invest. By investing every month and automating it, you avoid trying to time the market. Data shows that investing regularly and drip-feeding money in can benefit your investments over the long term called pound cost averaging. It means that because you're buying at different times, when markets may have risen or fallen, you smooth out the ups and downs of the market over time and lower the risk of your portfolio.

WHAT IF I'M ALREADY REGULAR INVESTING, IS IT TOTALLY HANDS OFF?

One of the benefits of regular investing is that you can set it up and then forget about it – but it's important to check on it every so often to make sure it's still working for you. Below is a three-point checklist to keep you on track.

Regular investing – three-point checklist

1. Are you saving enough?

If you set up your regular investing a while ago, you might find that you could increase the amount you're paying in each month. If you've had a pay rise during that time, got money in cash you could invest or just seen your disposable income increase, you could boost the amount you invest. Even a slight increase can make a significant difference over the long term. An extra £50 a month invested would increase your savings by almost £8,000 after 10 years (assumes growth of 5% a year, compounded annually). And after 20 years it would boost the pot by almost £21,000. If you could put away an extra £150 a month that would equate to almost £24,000 after 10 years and £62,500 after 20 years.

2. Have you picked the right investments?

Our investing goals and time horizons change over time, which means our investments might need to shift too. That means it's a good idea to check what funds your regular investing money is buying and whether they are still right for you. If you're closer to your investment goal, whether that's buying a house, retirement or something else, you might want to lower the risk of your investments. Equally, you might have originally invested in a fund that is more targeted and now you want a broader investment – or vice versa. You can check out our tips on spring cleaning your investments, to give you some ideas of the checks you should be making periodically. If you do need to change the investments you're buying each month, it's a remarkably simple process that takes a few clicks.

3. Are you saving into the right account?

You should check that your regular investing money is going into the right account. You might have originally set it up in your general investing or dealing account, but actually could benefit from the tax efficiency of a Stocks & Shares ISA. Equally you might now benefit from opening a Lifetime ISA, if you're saving for your first home or for retirement – in which case you could switch your regular investing contributions into that account. Read more details about each account here, to work out which one is right for you – and check your money is going to the right place.

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

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Andy Thomis, CEO & Simon Walther, CFO

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

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Jeremy McManus, General Manager

Neometals (ASX:NMT) is a sustainable battery materials producer. The Company has developed a suite of green battery materials processing technologies that reduce reliance on traditional mining and processing and support circular economic principles.

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Richard Shepherd-Cross,
Investment Manager

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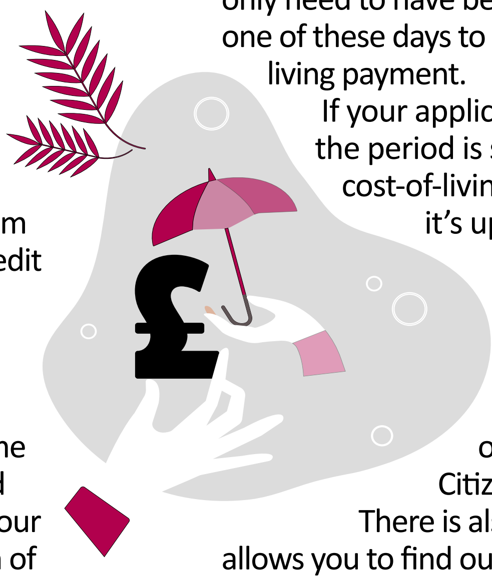
I'm struggling with the bills – am I eligible for pension credit?

Helping with a question about state support in retirement

I am 75 and live alone. I get the basic state pension – alongside a very small private one – but am struggling in the cost-of living. Though I own my house, the increasing cost of food and other basic items mean I'm some weeks finding myself in negative budgeting. Could I be entitled to pension credit – and how can I check this?
Anonymous

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



Let's start with how the state pension works and Pension credit is a key benefit provided by the state which often goes unclaimed. The Government has previously estimated over 850,000 eligible retirees fail to claim each year, with the average pension credit payment worth around £3,500 a year, according to the Department for Work and Pensions.

In 2023/24, if you are over state pension age (66), single and your income is less than £201.05 a week, you should qualify, with the payment topping up your income to that level. For a couple, both of whom have to be over state pension age, the combined income figure is £306.85.

In relation to pension credit, your income includes your state pension and any other pensions you have, other savings and investments, employment or self-employment earnings and most social security benefits. If you have £10,000 or less in savings and investments, this will not affect your pension credit claim.

If you have more than £10,000, every £500 over £10,000 counts as £1 income a week. For example, if you have £11,000 in savings, this counts as £2 income a week.

As you live in your home, its value should not be considered as part of your pension credit application. If you owned a property other than the home you live in then this could affect your claim.

For those who are entitled to receive it, claiming pension credit is also important because it acts as a gateway to other benefits. Those who claim pension credit currently qualify for cost-of-living payments. These payments are designed to help people through the current period of high inflation and are targeted at low-income households.

To be eligible for the latest cost-of-living payment, which is worth £300, you need to have been entitled to pension credit between 18 August 2023 to 17 September 2023. It is possible to backdate your pension credit claim for up to three months and you only need to have been entitled to the benefit for one of these days to qualify for the full £300 cost-of-living payment.

If your application for pension credit for the period is successful, you will be paid the cost-of-living payment automatically – but it's up to you to make a claim.

It is possible to apply for pension credit online, over the phone or by post. If you are unsure how to go about completing your application, organisations like Age UK and Citizens Advice can help.

There is also a handy website which allows you to find out if you are eligible for pension credit and how much you might get.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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

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

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