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SHARES

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a month

to

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Using the markets to create a seven-figure pot

Contents


09


16


38


25


31

Three important things in this week's magazine

1


From
£200
a month
to
£1 million
Using the markets to create a six-figure pot

How to build a £1 million pension pot from a starting point of just £200 a month

The earlier you start, the easier it is, but the dream of a £1 million 'pot' is achievable in 30 years based on the historic returns on stocks

2


Feature: Down in the dumps
Searching for signs of life from recent market dogs

Is there value in buying shares which have been heavily sold off?

We take a dive into the pool of stocks which have featured in our weekly 'Down in the Dumps' feature to see how they have fared subsequently

3


Halma is a world-class company investing in high-return global niche markets

One of the FTSE 100's least well-known companies could be its most consistent grower

How safety and healthcare group Halma's collection of global 'niche specialists' has produced a stellar long-term track record

Visit our website for more articles

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

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

Rolls Royce shares climb 7% to new four-year high on ambitious new profit targets

New hope for blood cancer patients after GSK's Blenrep drug receives positive results

EasyJet reinstates dividend after 'record' full year profits

Team17 shares plunge 40% after games publisher issues profit warning

VICTORY HILL
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- High degree of inflation-linkage with over 90% of revenues that are inflation-linked
- Minimal interest rate risk exposure

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The S&P 500 set to notch-up the biggest monthly gain of the year

Equity markets are making a big bet that the US central bank has finished raising rates

Market sentiment has shifted markedly over the last few weeks with major equity benchmarks set to record their best month of the year.

So far the Nasdaq Composite is up nearly 14% in November, the S&P 500 is up nearly 11% while in Europe the German Dax and the FTSE 250 mid-cap index are up around 10%.

The so-called 'fear index' or VIX has sunk to 13 from over 20 a few weeks ago, signaling investors are not concerned about risk in the run-up to the end of the year which has historically seen good gains for stocks.

Bullish forecasts from investment banks have also started to appear after months of hibernation. For example, on 27 November Deutsche Bank strategists issued a prediction that the S&P 500 would end 2024 at 5,100 implying a further 11% gain on the already impressive 19% increase seen so far in 2023.

The median market projection is that the benchmark index will finish 2024 around the 4,700 mark according to a *Reuters* poll.

Deutsche Bank's chief US and global strategist Bankin Chadha said market perceptions for US earnings remain lacklustre. Chadha reckons 2024 S&P 500 earnings could increase 10% after factoring in a mild recession.

'If earnings growth continues to recover as we forecast, valuations will remain well supported around the top of the range as is typical on the pricing in of a pickup in earnings growth', explained Chadha.

The market's change of heart is being driven by a perception that both the US and European central banks have finished hiking interest rates.

US stocks enjoy their best month of 2023 in November

Chart: Shares magazine • Source: LSEG

Better-than-expected US inflation data on 14 November and a slowdown in the labour market have given investors confidence that the Federal Reserve can successfully engineer a 'soft landing' for the US economy.

The 'softer' slowdown view is reflected in bond market yields, with the US 10-year treasury yield having dropped half a percentage point over the last month.

Market-implied interest rates suggest the Fed will remain on hold at its next interest rate policy meeting on 13 December and the following 31 January meeting, with interest rate cuts expected from June 2024.

Deutsche Bank is forecasting 1.75% of interest rate cuts from the Fed next year and a one percentage point cut from the European Central Bank between June to December 2024.

The current FOMO (fear of missing out) trade could yet fizzle out if investors have once again misread the Fed's determination to keep interest rates higher for longer.

After all, while October's inflation reading beat expectations by a smidge, at 3.2% it remains materially above the Fed's 2% target. [MG]

Rightmove shows resilience in latest trading update despite housing market uncertainty

Firm sets ambitious revenue and profit targets out to 2028

An upbeat trading update and revised financial targets from the UK's leading property portal **Rightmove (RMV)** proved a hit with investors on 27 November, but it hasn't been all plain sailing for the FTSE firm of late.

At the end of October, the group's share price took a battering after US real estate giant **CoStar (CSGP:NYSE)** announced a £99 million all-cash offer for Rightmove's UK rival **OnTheMarket (OTMP:AIM)**.

The US firm, which already runs websites Homes.com, LoopNet.com and Apartments.com, said at the time it intended to turn OnTheMarket into a 'market leader', putting the property listings site under pressure to respond.

At the same time, analysts at Jefferies carped that Rightmove had relied for too long on raising the price of its subscriptions rather than selling new products to generate growth.

Fast-forward a month and Rightmove seems to be fighting back against the sceptics by forecasting revenue growth ahead of expectations despite uncertainty in the housing market.

Rightmove now expects average revenue per advertiser (ARPA) growth to be £112 to £116 for the full year, up from a previous forecast of between £103 and £105, driven by new home developers who have extended their usage of the firm's Native Search Adverts and Advanced Development Listing products to sell their developments.

As well as raising its short-term guidance, the firm published new financial targets reaching out to 2028 with revenue seen topping £600 million and underlying operating profit seen above £420 million.

For comparison, this year the firm is seen posting revenue of £360 million and operating profit of £263 million.

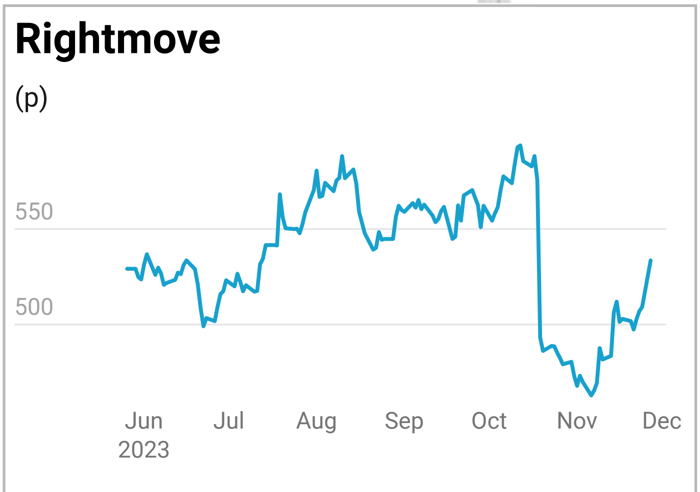


Chart: Shares magazine • Source: LSEG

One notable fan of the stock is star fund manager Nick Train, who recently snapped up more shares for his £1.8 billion **Finsbury Growth & Income Trust (FGT)** and the **Lindsell Train UK Equity (B18B9X7)** according to specialist financial website *Citywire* .

Train may have been opportunistic, taking advantage of the sharp drop in the share price after the announcement of CoStar's approach for OnTheMarket, or he could just be impressed with Rightmove's underlying operating profit growth of 7%-8% and higher-than-expected ARPA.

Either way, the seasoned manager is known for his enthusiasm for companies with large proprietary data sets and the data analytics theme.

'We sense that global investors are looking for owners of globally relevant and unique data and, despite warranted caution about the UK market, are finding candidates in London,' observed Train in his September fund commentary.

Shore Capital analyst Roddy Davidson described Rightmove's latest update as 'very encouraging update in the context of the significant macroeconomic headwinds impacting the UK property market and provides another illustration of the strength of the company's proposition to both agents, developers, and consumers'.

Will the latest global climate conference result in meaningful progress?

The focus is likely to be on oil and gas companies and shareholder returns

To precious little fanfare COP28 is underway. The 28th Conference of the Parties of the United Nations Climate Change Committee, is somewhat controversially being held in Dubai, a city whose fortunes and skyline were built on extracting fossil fuels.

As global temperatures continue to rise – with large parts of Brazil under a red alert as well as record temperatures in South Africa and Madagascar – there is a greater need than ever for countries and corporates to agree on measures to try to reduce greenhouse gas emissions.

Yet if anything the world seems to be moving in the other direction. Far-right anti-environmentalists have dominated elections in the Netherlands and Argentina, with the new Argentinian president calling climate change a 'socialist lie' and the leader of the Dutch Freedom Party telling voters they must 'stop being afraid' of climate change.

Meanwhile, the Indian government is actually *increasing* its use of coal-fired electricity generation by adding at least 80 gigawatts of new capacity over the next decade and has said it 'won't bow down' to pressure to take coal phasedown targets at COP28.

So, what if anything can we hope to see come out of this gathering?

For starters, the US and France have said they will back a ban on private financing for new coal-power projects, which should make for an interesting debate, while Germany and Chile plan to launch a 'climate club' to help developing nations invest in decarbonizing industries like steel and cement production.

More concretely, COP28 president Sultan Al Jaber, who happens to be chief executive of Dubai's national oil company, wants to put the focus firmly on energy producers and has said cutting the supply of fossil fuels is 'inevitable and essential'.

Big energy firms like **BP (BP.)** and **Shell (SHEL)** make much of their investment in 'green' alternatives, yet according to the IEA (International Energy Association) on average just 2.7% of all oil and gas capital spending is directed at clean energy, and more than 80% of all oil and gas is produced by companies with no plans to clean up their act at all.

To bring the industry into line with a 'net-zero-by-2050' scenario, which many governments have pledged themselves to, capital spending on low-carbon alternatives would have to reach an average of 50% so there is a huge gulf between what companies are promising and what they actually need to do.

The issue is, for that gulf to narrow shareholders and governments would have to accept much lower returns, and as the IEA muses, there 'doesn't appear to be a large appetite' to make that a reality. [IC]

Strong growth and a new head of operations drive rerating at Trustpilot

The shares have almost doubled in under six months

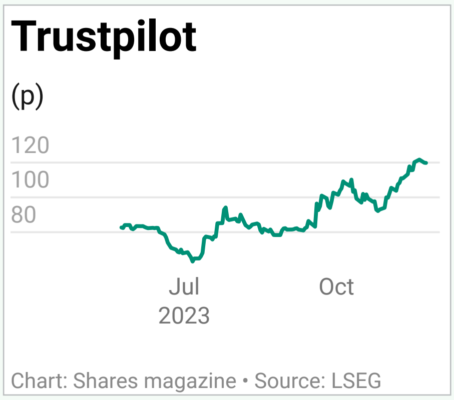
It has been an eventful second half of the year for global review platform **Trustpilot Group (TRST)** after the firm raised its profit guidance and appointed a new chief executive.

From their early July low of 63p, just before the release of the group's first half trading update, the shares have very nearly doubled to new 12-month highs of 118p.

Behind the rise are repeated earnings upgrades and excitement surrounding the arrival in September of Adrian Blair, former global chief operating officer of UK food delivery firm **Just Eat**.

According to the new chief executive, 'trust and transparency are becoming ever more important for businesses and consumers around the world'.

Long-term investor Northzone, a venture-capital fund which has held shares in Trustpilot since 2011, sold a 3.1% stake in early October at a price of 103p, but the shares were quickly absorbed by the market and the stock price has recovered equally rapidly.



Analysts at Berenberg describe Trustpilot as having a 'five-star investment case' based on its positive free cash flow, tight cost control, repeated increases in outlook and valuation. [IC]

Frontier Developments shares hit a nine-year low on sales disappointment

The gaming group has been hit by repeated profit warnings

Shares in **Frontier Developments (FDEV:AIM)** seem to be on a continual downward spiral, having fallen 84% year-to-date to the 154p mark.

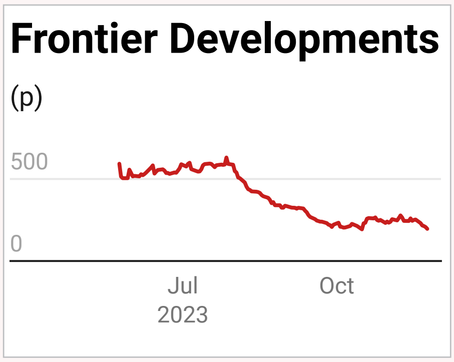
The once high-flying Cambridge-based games software group has been hit by a series of profit warnings, the last one causing its shares to slide over 20% in a day.

This latest slump came after the firm cut its full-year sales guidance for 2024 following weaker-than-expected Black Friday sales

of the Warhammer game *Age of Sigmar: Realms of Ruin.*

On the plus side, the company's board expects to break even by full year 2025 and the business continues to be well- capitalised.

Liberum analysts Caspar Erskine and Andrew Ripper haven't lost hope in the gaming



group: 'Management aim to deliver three new Creative Management Simulation (CMS) titles over the next three years, targeting niches where Frontier Developments has a proven track record.

'Cash of £20.5 million as of 31 October, Microsoft and video games tax relief (VGTR) receipts, ongoing sales from its back catalogue, and further sales from F1 and Warhammer releases all provide plenty of runway to deliver on these titles we believe.' [SG]

Marston's is pinning its hopes on incoming chief executive Justin Platt

The increase in the national minimum wage will put upward pressure on costs

UK UPDATES OVER THE NEXT 7 DAYS

FULL YEAR RESULTS

4 December: On The Beach Group, Oxford Metrics, Gooch & Housego,

5 December: Marston's, Paragon Banking, Schroder European Real Estate Investment Trust

FIRST HALF RESULTS

1 December: Mind Gym

4 December: Solid State, Discoverie, Moonpig

5 December: Ashtead, Baltic Classifieds, System1

TRADING UPDATES

5 December: Ferguson

Shares in pub and hotel group **Marston's (MARS)** are down around 18% this year, despite the business continuing to recover from the pandemic and receiving a welcome boost from the chancellor's Autumn statement which froze alcohol duties until August 2024.

After revealing full-year sales on 11 October, the company is due to update investors on earnings for the year to September on 5 December.

Sales rose 11.1% during the year driven by 'strong' beer and food sales and 10.1% growth in like-for-like sales, demonstrating resilience and the appeal of Marston's predominantly suburban estate.

Marston's

Chart: Shares magazine • Source: LSEG

Marston's consensus forecasts

	2023	2024
Sales (£m)	869	894
EPS (p)	5.33	7.14

Year End 30 September

Table: Shares magazine • Source: Stockopedia, LSEG

The group has continued to deliver operational efficiencies as well as reducing head office costs by around £5 million, a move which is expected to bring more savings in 2024 and subsequent years.

Energy costs have been fixed for 2024, while a significant proportion of food and drink costs have also been secured which should provide a strong base for profitability.

The company is targeting a 2% improvement in operating margins over the next two to three years.

The results land before new chief executive Justin Platt takes up his post on 10 January 2024, following the surprise news current chief Andrew Andrea would be stepping down.

One of Platt's first challenges will be explaining to investors how Marston's plans to navigate the government's higher-than-anticipated increase in the national living wage by £1.02 to £11.44 per hour from April. [MG]

Can athleisure star turn Lululemon squeeze out another upgrade?

The yoga lifestyle juggernaut has a bold plan to double sales by 2026

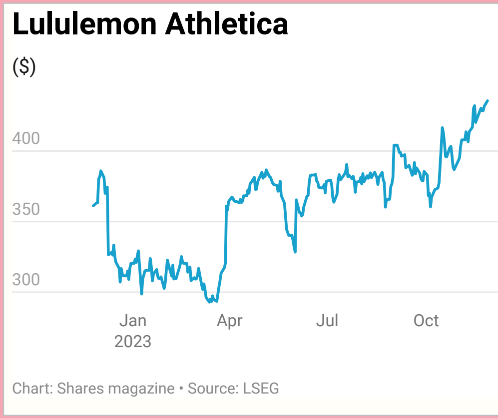


Chart: Shares magazine • Source: LSEG

Investors will be hoping there are no hiccups to sour the juicy global growth story when likely Black Friday winner **Lululemon (LULU:NASDAQ)** puts up third quarter results on 7 December.

Despite tougher economic conditions, the Canadian athleisure company, which sells clothing and footwear for yoga, running and training, continues to deliver robust growth, and its ambitious 'Power of Three ×2' strategic plan calls for a doubling of revenue from 2021's $6.25 billion to $12.5 billion by 2026.

Shares in the upmarket exercise-kit seller are up 33.5% year-to-date, boosted by their recent entry into the S&P 500. In August, Lululemon raised its full-year guidance alongside strong second-quarter results which showed an 11% hike in total comparable sales and 15% growth in D2C (direct-to-consumer) revenues.

Chief executive and endurance athlete Calvin McDonald said the results highlighted 'the ongoing strength of the business amid a dynamic operating environment', adding the company's 'continued ability to gain market share and bring new customers into the brand illustrates the significant runway ahead'.

The yoga pants purveyor, which recently announced a five-year strategic global partnership with fitness-machine maker **Peloton Interactive (PTON:NASDAQ)**, expects to deliver third-quarter sales in the $2.165 billion to $2.19 billion range, representing growth of 17% to 18%, with diluted earnings per share forecast in the $2.23 to $2.28 range.

Bulls of the stock also see Lululemon as a potential beneficiary of weight-loss drugs, should their wider adoption drive a wardrobe replacement cycle. [JC]

What the market expects of Lululemon

	EPS ($)	Revenue ($bn)
Q3 forecast	2.28	2.19

Table: Shares magazine • Source: Investing.com

US UPDATES OVER THE NEXT 7 DAYS

QUARTERLY RESULTS

1 December: Bank of Montreal, Marvell, National Bank of Canada, ChargePoint Holdings

4 December: Gitlab

5 December: AutoZone, Toll Brothers, Guidewire, Core Main, Descartes Systems, Healthequity, Asana, Signet Jewelers, Powell Industries, Couchbase, IDT

6 December: MongoDB, Brown Forman, Veeva Systems, Campbell Soup, Chewy, Thor Industries, SentinelOne, RH, United Natural Foods

7 December: Broadcom, Lululemon Atheletica, Dollar General, Cooper, Vail Resorts, Smartsheet, National Beverage, Hashicorp, Korn Ferry, Methode Electronics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Why value-focused small-cap trust Rockwood is hard to beat

Richard Staveley-steered fund taps into exciting potential

Rockwood Strategic

(RKW) 187.5p

Market cap: £50.8 million

Ongoing charge: 1.75%

BUY

Valuations for the small-cap asset class have returned to levels last seen during the Global Financial Crisis, and history shows that when valuations have plunged to similarly low levels in the past, stellar returns have ensued for small caps over the subsequent five years.

A savvy way to gain differentiated exposure to this structurally-inefficient part of the market is through value-focused investment trust **Rockwood Strategic (RKW)**, which has generated five-year annualised total returns of 18.5% and is ranked the number one fund over one, three and five years by NAV (net asset value) total return in the Association of Investment Companies (AIC) UK Small Companies sector.

HOW IS ROCKWOOD DIFFERENT?

Managed by Harwood Capital's Richard Staveley, who is 100%-focused on Rockwood and has personal 'skin in the game', this is a highly-concentrated portfolio of stocks with 'deeply undervalued future cashflow potential' and rerating catalysts in place which is benefiting from net asset value-boosting takeover approaches left, right and centre.

Staveley's tried-and-tested strategy identifies undervalued stocks where the company will benefit from operational, strategic or management changes that can unlock or create value for investors. Rockwood's differentiated approach of taking active stakes in core holdings is proving highly effective, and by total shareholder return the £50.8 million trust is ranked number one in the sector over three and five years.

'We're not benchmark aware or focused, which almost every small cap fund is,' explains Staveley, 'and we are targeting 15% absolute returns over three to five year rolling periods.' Rockwood invests in stocks which can deliver 15% IRRs (internal rates of return) over five years and currently has eight 'core' holdings and 13 'springboard/ opportunities'.

> **"We're not benchmark aware or focused, which almost every small cap fund is"**

Another point of differentiation with its peers is the majority of stocks in the portfolio are recovery situations rather than growth plays. 'Value will out, and value is coming back in a major way,' insists Staveley, stressing that despite the downbeat commentary, small-caps are on the radar of trade buyers and private equity.

To illustrate, Rockwood has recently received bids for **Finsbury Food (FIF)**, taken over by private equity, as well as **Smoove (SMV:AIM)**, **OnTheMarket (OTMP:AIM)** and **City Pub (CPC:AIM)**.

'When you get a bid in a concentrated portfolio, it really makes a difference to the overall performance metric,' he enthuses. 'We run our winners and allow them to grow into quite big parts of the fund. Crestchic, previously our largest holding, which got taken over in Q1 of this year, actually got up to about 23% before the bid came in.

'Most small cap managers would start freaking out if one of their holdings got up to even 5%. But we think that concentration allows us to de-risk the approach by being able to spend a lot more time on each holding than an average fund manager would.'

PACKED WITH POTENTIAL

As of 30 September 2023, Rockwood had 21 holdings of which the top 10 constituted 64.2% of NAV, among them exciting recovery stocks with new management such as **RM (RM.)**, the indebted educational supplies leader with potential for divisional disposals, and the fasteners maker and distributor **Trifast (TRI)**.

Other top holdings include construction group **Galliford Try (GFRD)**, marketing services business **M&C Saatchi (SAA:AIM)** and specialist components-to-services firm **Flowtech Fluidpower (FLO:AIM)**.

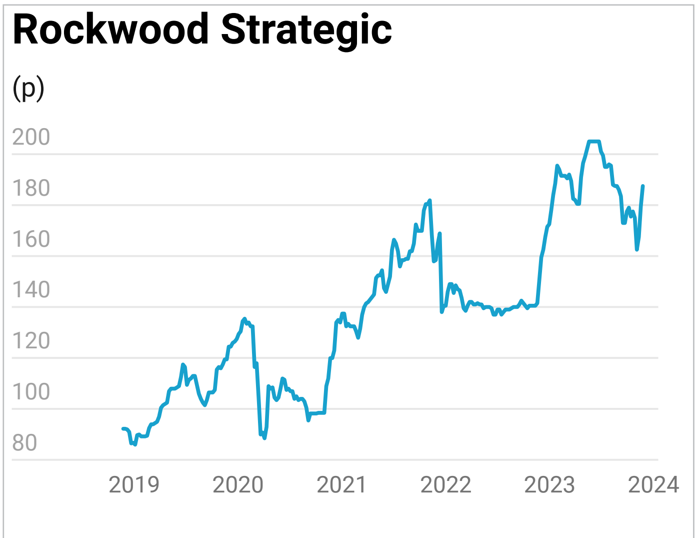


Chart: Shares magazine • Source: LSEG

Staveley is excited by a wealth of high-quality managerial and board changes at Rockwood investees of late, where self-help actions are set to drive shareholder value 'irrespective of the doom and gloom'.

New investments include **James Fisher & Sons (FSJ)**, the specialist engineering services provider to the energy, defence, renewables and marine markets, which Staveley views as a classic 'fallen angel', and records management-to-life-cycle services concern **Restore (RST:AIM)**, which he says has been 'exceptionally lucky' to have lured back former chief executive Charles Skinner.

As he commented in Rockwood's first-half results (22 November), 'the redeployment of takeover receipts fills us with great excitement given our pipeline of new opportunities and these "buyer's" market conditions. When the market environment eventually changes we expect the re-rating of our holdings to be material as investors belatedly react to the catalysts that are now in place across the portfolio for improved profitability and value creation.'

Admittedly, a small NAV premium means investors are giving up some performance, and ongoing charges are on the high side, yet *Shares* believes it is worth paying up to access Staveley's stockpicking acumen and the portfolio's potential. for value uplift

Smart investors agree, as Rockwood has been issuing shares at a small premium to NAV to satisfy demand for Staveley's winning strategy. [JC]

Manolete is back on winning form and could be poised for great things

Innovative growth business has fixable problems and large upside potential

Manolete
(MANO:AIM) 156p
Market cap: £72 million

Considering companies which invest in insolvency litigation cases are meant to be anti-cyclical, winning when the economy goes into a downturn, by rights **Manolete Partners (MANO:AIM)** should have cleaned up during the pandemic as the number of struggling businesses soared.

However, much to the firm's chagrin, the opposite scenario unfolded – tens of thousands of struggling firms were saved from going into administration thanks to government support and 'bounce-back' loans from the high-street banks.

Since early 2022, the insolvency market has largely returned to normal with the number of cases 'now at levels not seen since the 2008 financial crisis' and larger-company insolvencies also back to pre-pandemic levels, according to chief executive Steven Cooklin.

Due to the time it takes to present potential litigation claims to third-party funder like Manolete, it wasn't until earlier this year that the firm started to see a significant increase in activity.

In its results for the six months to the end of March, the company recorded a 122% increase in new case investments, meaning it ended the financial year at 263, a new record, while new case enquiries jumped 60% to end the year at a record 798 cases.

This momentum has continued in the six months to September, with 417 live cases in progress, 58% more than at the same time last year, while a 21% increase in completions and a 116% increase in new investments has translated into revenues more than doubling to £11.2 million.

The average time taken to settle a case is just under a year, and the average money multiple on investment net of costs is 2.3 times for the 116 cases completed in the last six months.

Since the start of the year, the firm has been working with **Barclays (BARC)** on a range of defaulted 'bounce-back' loans, and the 'exceptional' results it has achieved so far have led to an increase in caseloads as well as a separate pilot scheme with another major bank, which is due to start shortly, all of which could dramatically increase revenues.

In addition, the company has just under two dozen cartel cases in progress, and positive judgements recently on several similar cases which have led to settlements suggest Manolete's portfolio will be also resolved positively.

While we believe the group's prospects are extremely bright, and the current valuation doesn't look demanding, we must add the caveat that this is a small-cap stock, which makes it riskier than normal, and lack of liquidity means the bid-offer spread is unusually wide (typically over 10%), so depending on the closing price the shares can appear to move around a great deal. [IC]

Manolete Partners

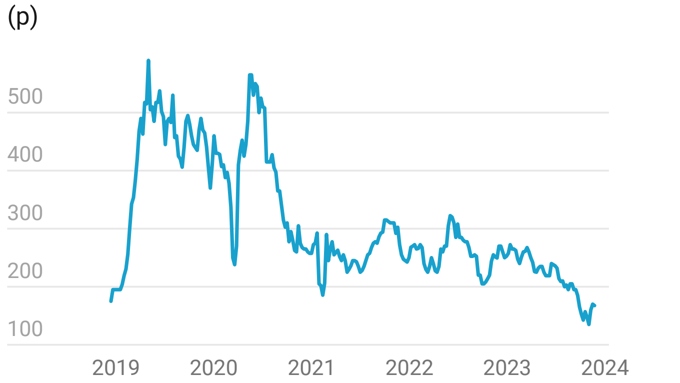


Chart: Shares magazine • Source: LSEG

Ride the positive momentum behind Primark-parent Associated British Foods

Shares in the food-to-fashion conglomerate are hitting 52-week highs following our 'buy' call

Associated British Foods
(ABF) £23.75

Gain to date: 15%

BUY

Original BUY @ £20.63 on 21 September 2023

We suggested investors buy into the positive price momentum behind **Associated British Foods (ABF)** in September on the basis the diversified food, ingredients and retail conglomerate was churning out good news and there was further upside for the shares.

Our thesis was the broad-based growth business had passed through the worst of cost inflationary pressures and the Primark-owner was entering a period of significant earnings growth, driven by margin recovery at the aforementioned discount fast-fashion chain and in groceries and sugar, as well as profit improvement in its ingredients business.

WHAT HAS HAPPENED SINCE WE SAID TO BUY?

Associated British Foods' shares have risen to fresh 52-week highs since the Weston family-controlled conglomerate posted better than expected annual results on 7 November, when management lauded the group's 'strong performance' in a 'demanding environment' during the year ended 16 September 2023.

The FTSE 100 firm reported a 16% surge in group revenue to £19.8 billion and a 9% rise in adjusted pre-tax profit to £1.47 billion, after raising prices across the piece to mitigate high levels of inflation. Management also insisted Primark, the highest-profile division within the group, was as 'well placed as it has ever been'.

Cash-generative Associated British Foods hiked the year's total dividend by 37% to 60p, including a surprise 12.7p (£100 million) special dividend, and announced a fresh £500 million share buyback.

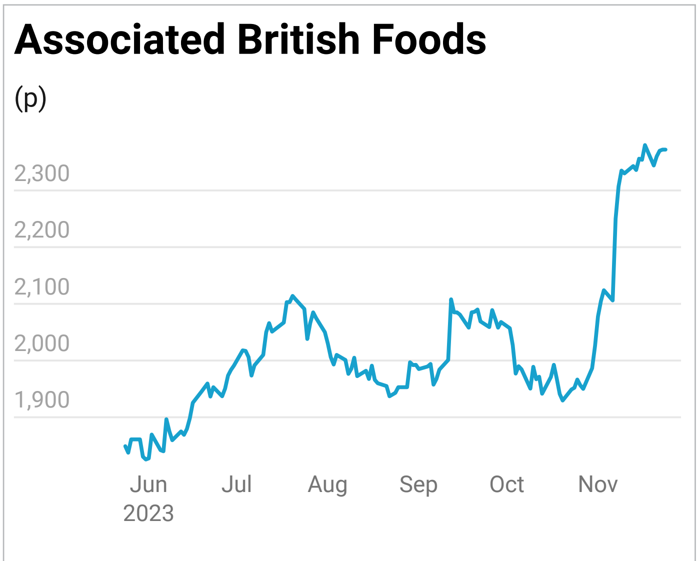


Chart: Shares magazine • Source: LSEG

WHAT SHOULD INVESTORS DO NOW?

We would stick with Associated British Foods given the potential for further earnings upgrades. International grocery brands Twinings, Ovaltine, Blue Dragon, Patak's, Jordans and Mazzetti are trading well, and Primark, the jewel in the conglomerate's crown, continues to expand in Europe and the US with the discounter's value offer resonating with existing and new customers alike.

Liberum analysts believe the market is underestimating the like-for-like growth and margin expansion potential at Primark in the year to September 2024 'and outer years', as well as profit improvements to come through in the sugar business this year given favourable prices and a normal crop season. [JC]

From £200 a month to £1 million

Using the markets to create a seven-figure pot

It is easier than you think to build a decent retirement pot if you start early

By **Martin Gamble** Education Editor

Saving for the future is not always front of mind for most people which is understandable given the cost-of-living crisis and the need to balance household budgets.

This is a shame because the sooner an investor can get started the better their chances are of building a decent nest egg. In this article we show how you can go from a starting point of investing £200 per month, building up your contributions as you progress through your working life, to achieve a £1 million pot within 30 years.

Three decades may sound like a long time but with life expectancy increasing and government finances wilting, it is likely that the retirement age will keep moving higher. This means working for 30 years may prove to be a conservative estimate over time.

Another implication is that on average Brits are probably not saving enough of their current income for retirement. Investing £200 a month or £2,400 a year is equivalent to around 9% of the average UK salary after tax based on the latest data from the

Office for National Statistics.

It is not far away from the minimum workplace pension contribution which is currently 8% of salary. Employers must contribute at least 3% with the rest made up by the employee.

This article focuses on investing through the tax efficient Stock & Shares ISA (individual savings account) which offers more flexibility than a pension and can be a useful tool for building up a sum which can be used for other purposes, not just funding a comfortable retirement.

THE KEY DRIVERS OF WEALTH ACCUMULATION

The important drivers that determine the size of a retirement pot are the rate of investment return achieved, the length of time invested, and the total amount of cash invested.

Everyone's life circumstances are different. Later we discuss three scenarios and reveal how different rates of return and the amount of money invested can affect the size of your eventual pot.

Let's look at returns first. Over short investment horizons share prices can be volatile and are impossible to predict, but over long periods investment volatility dampens down and returns smooth out.

Share prices are closely related to earnings growth over the long term. As companies increase their earnings, share prices should eventually follow suit and provide capital gains and dividends which can be reinvested.

> **"Over the long run dividends contribute around half of the total shareholder return which underscores why it is crucial for investors to reinvest dividends to maximise growth"**

According to *Barclays* 2023 Equity Gilt Study, UK shares have delivered a compound annual growth rate of 8.9% a year over the last 123 years.

Over the long run dividends contribute around half of the total shareholder return which underscores why it is crucial for investors to reinvest dividends to maximise growth.

Not reinvesting dividends really handicaps returns. The Barclays study shows that annualised returns drop to 4.3% a year if dividends are not reinvested.

The roughly 9% annual total shareholder return seems a fair target for investors to aim for over long investment periods. However, they can probably do better than that if they widen their investment horizons to overseas markets.

For example, the US is home to some of the largest and most dominant growth companies in the world. Emerging markets like China, India and Brazil have better growth prospects than old world economies like the UK and Europe.

Therefore, taking the long-term average as a starting point and adding some 'juice' from faster growing overseas markets, *Shares* believes investors can arguably shoot for total returns of closer to 11% a year.

As mentioned, starting the investment journey earlier is a big advantage because the effects of compounding have longer to work their magic. For our scenarios we have assumed an 8% increase in contributions each year to reflect the increased financial capability associated with career progression, at least until they hit the current £20,000 limit on contributions. We have not factored in the impact of any charges or costs.

SCENARIO 1 Julie's

£1 million ambition

Value of initial monthly contribution (£)	**200**
Annual growth in share value (%)	**7.5**
Dividend yield (%)	**3.0**
Growth in annual contributions (%)	**8.0**

	Portfolio value (£)	Cash added (£)
Year 0		2,400
Year 1	5,057	2,400
Year 2	8,192	2,592
Year 3	11,870	2,799
Year 4	16,166	3,023
Year 5	21,165	3,265
Year 29	915,075	20,000
Year 30	1,033,217	20,000

Cash invested (£)	**268,813**
Total portfolio value (£)	**1,033,217**

Table: Shares magazine • Source: Shares magazine

Julie finished university and landed a job as a trainee mechanical engineer at BAE Systems (BA.). The job pays relatively well and if Julie is successful there are many career path opportunities for her to progress through the corporate ranks.

Julie initially lived at home with her parents which provided he with more disposable income. She saves £200 a month to invest in a Stocks & Shares ISA in addition to her workplace pension.

Fast forward a few years and Julie eventually moves into a flat with her partner. Three promotions and a job move permit Julie to increase her annual investment contributions.

Julie has taken on more risk to maximise her returns and take advantage of her early commitment to investing.

For its growth potential Julie owns the **Xtrackers MSCI Emerging Markets ETF (XMMS)** which is invested in almost 1,500 companies and has an annual total expense ratio of 0.18%.

In addition, given her interest in technology Julie owns the **Polar Capital Global Technology Trust (PCT)** which has an ongoing charge of 0.8% a year.

Julie reasons that most of the time there are companies somewhere in the world doing well and with that in mind she owns the popular **iShares Core MSCI World ETF (SWDA)**.

This £47 billion fund is invested in more than 1,500 shares spread across the globe. Julie considers this a good choice given it provides such a broad exposure to shares for a cost of 0.2% a year.

These investment decisions turned out well over the years and Julie managed to grow the value of her portfolio by just over 10% a year.

In total Julie has invested just over a quarter of a million pounds spread across 30 years which is equivalent to just under £10,000 a year on average.

As the table illustrates Julie's portfolio grows to just over a million pounds in her early 50s. She is still healthy, married with one child and doesn't plan to retire anytime soon.

SCENARIO 2 Greg

the cautious accumulator

Value of initial monthly contribution (£)	**200**
Annual growth in share value (%)	**4.0**
Dividend yield (%)	**3.0**
Growth in annual contributions (%)	**8.0**

	Portfolio value (£)	Cash added (£)
Year 0		2,400
Year 1	4,971	2,400
Year 2	7,917	2,592
Year 3	11,280	2,799
Year 4	15,106	3,023
Year 5	19,447	3,265
Year 29	553,652	20,000
Year 30	613,072	20,000

Cash invested (£)	**268,813**
Total portfolio value (£)	**613,072**

Table: Shares magazine • Source: Shares magazine

Greg has enjoyed a successful career in marketing over many years and is happily married with three children. He stuck with his investment plan and kept adding to his ISA year after year.

Like Julie he invested over a quarter of a million pounds into an ISA over a span of thirty years.

Greg isn't as comfortable as Julie in taking on risk. For global shares exposure he owns the **Vanguard FTSE All World ETF (VWRP)**.

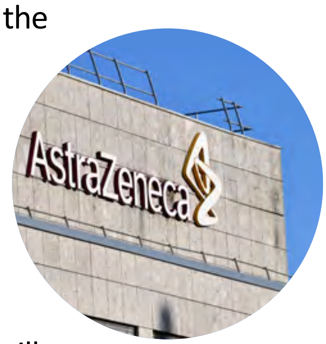
The £6.7 billion fund gives Greg access to developed and developing markets and almost 5,000 stocks for an annual fee of 0.22% a year.

Greg has also built a stock portfolio mainly comprising UK blue chip names such as **BP (BP.)**, **HSBC (HSBA)**, **AstraZeneca (AZN)** and **Tesco (TSCO)**.

He is aware that smaller companies tend to perform better over time, but they are riskier. For this reason and to get a global diversified exposure Greg owns the **Global Smaller Companies Trust (GSCT)** which has an ongoing charge of 0.79% a year.

This Columbia Threadneedle managed fund invests in high quality, profitable global smaller companies. It currently trades at a 13% discount to net asset value.

The trust is a member of the prestigious Association of Investment Companies' 'dividend heroes' list and has delivered 52 unbroken years of dividend growth.



Greg's investment decisions have not been quite as successful, but he still managed to grow his portfolio by around 7% a year. Greg isn't complaining though. After all, he is sitting on an ISA pot value of around £650,000.

Three percent (the difference between Greg's average return and Julie's) doesn't seem like much but compounded over 30-years it means Greg has around £400,000 less than Julie which is close to 40% in percentage terms.

We have discussed how achieving different investment returns can affect the relative size of future pension pots. Not everyone is lucky enough to be able to continually feed their ISA. The next scenario looks at the impact of taking a break on future returns.

SCENARIO 3 Ann

pausing contributions with a young family

Value of initial monthly contribution (£)	**200**
Annual growth in share value (%)	**4.0**
Dividend yield (%)	**3.0**
Growth in annual contributions (%)	**8.0**

	Portfolio value (£)	Cash added (£)
Year 0		2,400
Year 1	5,219	2,520
Year 2	8,313	2,722
Year 3	11,844	2,939
Year 4	15,862	3,174
Year 5	20,419	3,428
15-year break encompassing years 11 to 25		
Year 29	240,256	10,708
Year 30	268,926	11,564

Cash invested (£)	**86,372**
Total portfolio value (£)	**268,926**

Table: Shares magazine • Source: Shares magazine

Ann enjoyed a good career in teaching but when she settled down with her partner and started a family their household disposable income dropped.

Having fed her ISA for a decade Ann decided to take a break while her children grew up and the couple had paid off more of their mortgage.

Ann still made time to manage her portfolio despite a hectic work and home life. As well as an individual share portfolio Ann owns the iShares Core MSCI World ETF.

She likes the idea of investing in technology and gets passive exposure through her holding in **iShares S&P 500 Information Technology (IITU)**.

This provides access to companies such as **Apple (APPL:NASDAQ), Nvidia (NVDA:NASDAQ)** and **Microsoft (MSFT:NASDAQ)**.

The £3.6 billion fund has an annual expense ratio of 0.15% a year and is invested in 66 companies.

In her 40s Ann can restart investing into her ISA once again. In total Ann has invested just over £86,000. Overall, Ann's portfolio has achieved good growth averaging 7% a year.

The lower amount she invested due to the break in the middle means Ann's ISA is worth about £270,000.

CAVEATS TO CONSIDER

The scenarios presented above are for illustrative purposes only and are not intended to be projections. In addition, we have made a big assumption that ISAs remain available throughout the next 30 years.

Government desire to encourage higher levels of savings into retirement products suggests they are here to stay, but politicians are always capable of changing their minds.

It is important to note that ISAs do not attract income or capital gains tax and money can be withdrawn without paying tax.

Invesco

DELIVERING A STEADY INCOME IN AN UNCERTAIN WORLD

Author: Rhys Davies, Fund Manager

Bond markets have been anything but boring over the last couple of years – what happened?
They've been exciting – and painful – for investors. We all know what happened in 2022. Inflation, which is the nemesis of bonds, was a lot higher than most people expected. Interest rates were hiked in reaction. Many people criticise the central banks for being late to the game, but when they did start, they were certainly very aggressive.

In the UK the base interest rate has gone from 0.1% to 5.25%. The bond market had to adapt to that. In Europe, for example, yields had become very low. The high yield bond market was only offering a yield to maturity[1] of 3.4% at the end of 2021. So there were many bonds with coupons[2] that were uncompetitive versus interest rates.

There were a lot of sub-investment grade bonds, those with a rating below investment grade BBB- and below, with coupons of 3% or 4%. These bonds should offer a higher yield than government bonds, to reflect the extra risk of investing in a corporate bond compared to a government bond. But with government bond yields rising to 5% and beyond, it meant that prices of high yield bonds had to fall to ensure that the yield on high yield bonds remained higher.

By the end of 2022, the yield to maturity in the European high yield market had risen to around 8% and the average price of bonds in the index had declined from 101 to less than 86[3]. That meant a lot of pain for bondholders last year - it was the biggest calendar year price move since 2008 - as we moved from a world of low yields to high yields. That shouldn't be played down, but in terms of finding income in the bond market, I believe it has left us in a very good position now.

Do you think the interest rate hiking cycle is near an end?
The short answer is yes, I think we're near the end. A couple of months ago, market pricing suggested that investors were expecting several more hikes, particularly in the UK. But expectations have since reduced. In part, that's due to falling inflation. The market is now being

priced on the expectation that the central banks are finished, or nearly finished, with their interest rate increases.

We've all just experienced a very aggressive hiking cycle. In some ways, the economy has held up better than predicted. For example, the labour market – as measured by unemployment levels and wage growth – is still looking positive. That's the case in the US as well as the UK. My main issue is that a lot of this positive data is backward-looking. If you look at some of the leading indicators, there is more reason to be pessimistic about growth. Levels of activity are deteriorating and even some labour market data is now getting weaker.

We also have to bear in mind that there is a lag between the imposition of interest rate hikes and their full effects on the economy being felt. Given the size and pace of interest rate increases, there is potential for economic conditions to weaken further from here, which would tend to create the conditions not just for the hiking cycle to end, but for interest rates to be cut.

Where would a weaker economy leave the high yield bond market and your portfolio?
It's an important question. The prospect of reaching a peak in interest rates is very good news for bonds. When interest rate expectations fall, the coupons available from bonds that have already been issued at fixed rates become more

valuable. So just as bond prices fell when interest rate expectations rose last year, so they could rise if interest rate expectations fall this year and next. We call the sensitivity of bond prices to interest rates "duration". I've been adding to the duration of the portfolio over the last year, for example buying longer maturity bonds.

But we have to think about growth as well as interest rates. The high yield bond market, which is where the BIPS portfolio invests, is more sensitive to the growth environment than other parts of the bond market. This is because high yield bond issuers are typically more indebted companies. It also means that they are more exposed to a rise in the interest payments on their debt, which is now happening across the board.

For the moment, heading into the fourth quarter of 2023, corporate earnings are okay. The high yield sector is not particularly highly indebted and many companies issued bonds when interest rates were low and they were able to borrow on good terms. But these conditions could change.

Lower economic growth tends to depress earnings and so reduce companies' ability to service debt. At the same time, when it comes to refinancing their debt, they are likely to have to pay significantly higher interest rates. We have seen some examples of that already. These two risks – lower earnings and higher refinancing costs - are definitely clouds on the horizon.

But, as I said earlier, yields are a lot higher now than they were and we want to take advantage of that. The key for us is to manage the portfolio actively. It is always about aligning risk and reward. For that reason, I've been raising the credit quality of the portfolio in recent months. About a quarter is now in investment grade corporate bonds, where credit risk is lower. We have also reduced our exposure in CCC rated bonds, the highest risk area.

While some companies may struggle in the coming quarters, we want to be picking up the good levels of yields that the bonds of better-quality companies are now offering. Our investment decisions are driven by research into both individual securities and their issuers. We use our excellent credit research resources to identify companies that are more or less equipped to handle the risks we see in the market.

What is the yield on your portfolio today?
There are a few ways of thinking about the yield. The simplest and most visible is the dividend yield. That's what the shareholders receive. The dividend is decided by the board of the trust. The BIPS board's annual dividend target right now is 11.5p per share. At the current share price (164p at the time of writing[4]), that is equivalent to a 7% yield. (The level of the dividend is not guaranteed).
However, that dividend is more than covered by the income which the BIPS portfolio is generating. The excess income is kept within the trust and can be used to smooth dividends in a lower yielding environment. In addition to that, the average price of the bonds is 87, so well below the redemption price of 100 that the portfolio will receive if the bonds are held until they mature.

The yield to maturity, therefore, a measure which combines both the coupon payments and the potential capital gain, on the assumption that the bonds are repaid at par (100), is higher than the portfolio yield. It is currently about 9.5%. We also have some gearing, meaning borrowing that enables us to make additional investments, in the portfolio. Gearing is 20% of NAV and the effect of that is to increase the yield further.

That all adds up to a considerable yield. I've been involved in these markets for 20 years. After a long time, when interest rates were low and central banks were buying bonds as part of quantitative easing[5], I'm now seeing the sort of yields that I used to see when I started. These are more like the yields that I was trained to believe high yield bonds should be paying investors.

Does the ability to gear the portfolio make the trust structure a good one for managing bonds?
I think that the investment trust structure is great. The first big advantage is that being closed-ended, BIPS has a fixed number of shares, so I'm never under pressure to sell holdings to fund redemptions. I can really focus on taking a long-term view and act boldly during times of market stress.

That's what we did when COVID hit. In March and April 2020, the bond markets experienced what I would describe as a dysfunctional time, with a lot of indiscriminate and forced selling. Being able to manage a portfolio through that, without having to worry about redemptions, was great. We were in a position to be buying and picking up some really attractive looking opportunities.

The use of gearing is also an attraction of the closed-ended structure. It would be pretty scary to be managing an open-ended fund if it had gearing and clients could take their money out overnight. I don't think my nerves could cope with having to deal with both the gearing and redemptions at the same time. Gearing has to be managed prudently, of course and we've got a lot of experience of doing that on the desk.

The other thing I like about the investment trust structure is the ability to set a dividend target. For BIPS, it is presented very simply as a pence per share target. That means that I can put together the portfolio with 11.5p in mind. Every quarter, when I meet the board, we can have a discussion about how comfortable we are with the target.

If I feel like hitting the target would mean taking more risk than I'm happy with, I can say that. Today, there's plenty of income out there to cover the dividend and there are good opportunities to lock in attractive coupons, with the prospect of capital gains on top.

Right now, we're in a good place.

Want to find out more?

Rhys Davies is a fund manager and senior credit analyst in the Henley-based Fixed Interest Team and manages high yield credit portfolios. Click the links to find out more about the Invesco Bond Income Plus Limited:

Invesco Bond Income Plus Limited (LSE:BIPS) - Share price | AJ Bell

Invesco Bond Income Plus Limited

[1]The yield to maturity is the total expected return on a bond investment, taking into account the purchase price, the coupon payments and the re-payment of principal at par, or amount of money the issuer will return to bondholders at maturity.

[2]A coupon is the annual interest payment a bondholder will receive from the bond issuer from the date of issuance until the date of maturity of the bond. It is expressed as a percentage of the face value of the bond.

[3]Sterling denominated bonds are typically issued at a price of £100.

[4]As at 26 September 2023.

[5]Quantitative easing is a monetary policy strategy used by central banks where they buy government and/or corporate bonds to try and reduce interest rates and encourage spending.

Halma is a world-class company investing in high-return global niche markets

This FTSE 100 firm is almost 'hidden in plain sight' and deserves much greater recognition

If we conducted a straw poll we've no doubt most readers would have heard of Amersham-based engineering firm **Halma (HLMA)**, but we suspect a much smaller proportion could put their hand up and explain what it does.

For a FTSE 100 company with a market cap of £8 billion, Halma seems to operate 'in the background' rather than taking centre stage so we thought it was high time we took an in-depth look at what makes the company tick.

A 'GLOBAL SPECIALIST'

Halma calls itself 'a global group of life-saving companies', but what does that mean exactly?

Employing over 7,000 people in more than 20 countries, the group is a collection of around 45 different businesses providing technology-enabled health, safety and environmental solutions.

Its safety technologies protect people and the places they work, both in the private and public sectors.

Across 20 companies, the group provides fire detection and control, elevator safety and communications, electronic components testing for the aerospace and rail industries, and explosion vents and pressure sensors which help prevent catastrophic failures for sectors like oil refining, petrochemicals, biotechnology and even food and beverage manufacturing.

Its health care technologies, provided by more than a dozen companies, help contribute to the diagnosis and treatment of patients, data analysis and even the discovery of new cures.

Lastly, its environmental technologies, again offered by more than a dozen companies, monitor the environment, detect gas leaks, provide laboratory services and analyse materials in a wide range of applications.

It's unlikely many of us have ever heard of any of these companies, yet what they do is largely essential to our everyday lives.

WHAT IS HALMA'S 'DNA'?

The firm claims it has 'organisational genes' which run through its business at every level – a set of core elements or principles which have proven themselves fundamental in driving the firm's consistent, long-term growth.

At its heart, the group is a collection of 'global specialists', targeting highly specific, high-return niches in markets with a positive impact and long-

Analyst consensus for Halma

(£ millions unless otherwise stated)

	Revenue	Adjusted Operating Profit	Adjusted Pre-tax Profit	Earnings per share (pence)	Dividends per share (pence)
FY23/24	1,967	418.2	389	79.3	21.3
FY24/25	2,081	446.9	421	85.3	22.8
FY25/26	2,200	474.9	451	91.2	24.6

Table: Shares magazine • Source: Halma, data correct as of 22 November, 2023. Year end: 31 March

term drivers.

Each company is managed by its own board and makes its own decisions about how to grow its business so as to balance short-term profit with long-term growth.

Halma as a whole grows by investing in its companies while at the same time looking for 'good businesses in markets with long-term growth drivers' aligned with its way of thinking and 'inviting them in'.

This can be by way of acquisition, or it can be through strategic partnerships where the other company retains its independence but benefits from Halma's reach and resources.

In 2023 alone the firm has made five acquisitions ranging from a laser technology company which stops press-brake machinery when a worker gets too close (safety), to a high-tech sewer pipeline repair business (environmental) and most recently a company which makes advanced medical access systems for use in spinal surgery (health).

None of these deals have been big enough to 'move the needle' in terms of results, but all are highly complementary and demonstrate Halma's deep-rooted belief in buying into high-return niche markets.

HOW IS THE COMPANY PERFORMING CURRENTLY?

In the six months to the end of September, with little fanfare and despite what has been widely acknowledged as a 'challenging' economic backdrop, Halma reported record sales, profits and dividends to its investors 'while further enhancing our growth opportunities through increased strategic investment, supported by a strong cash flow performance and continued balance sheet strength,' according to chief executive Marc Ronchetti.

'We remain on track to make further progress in the second half of the year and to deliver good organic constant currency revenue growth in the full year to March 2024,' added Ronchetti.

Notably, group order intake remains ahead of the comparable period last year and close to revenue in the year to date, while cash conversion was an extremely healthy 96% and net debt was just £619 million, or 1.4 times EBITDA (earnings before interest, tax, depreciation and amortisation), leaving plenty of scope for investment in organic growth and for acquisitions.

AN UNDER-RATED GROWTH STOCK

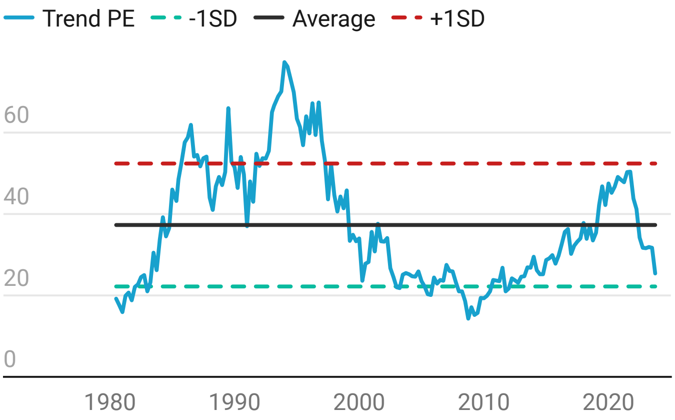
When we look at the earnings history of most companies we can see that they are often fairly cyclical, that is earnings rise and fall with the broader economy or with underlying commodity prices.

That is the case for example with banks, retailers, industrial companies, miners and energy producers, which make up a good percentage of the FTSE 100 index.

When we analyse a company's earnings to try to determine its underlying growth rate, we adjust for the ups and down by using a rolling 12-month average which gives us a 'cyclically adjusted' earnings per share figure.

By fitting the cyclically adjusted earnings series to the actual earnings, we can see not just whether the company grows but how fast it grows over long

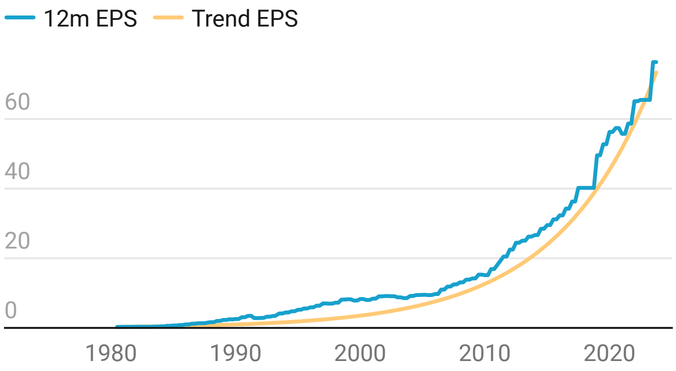
Halma 'Trend' PE



PE = price to earnings ratio

Chart: Shares magazine • Source: LSEG

Halma 12-month EPS vs 'Trend' EPS



EPS = earnings per share

Chart: Shares magazine • Source: LSEG

time periods and how cyclical earnings are.

The remarkable thing about Halma, however, is not only is it a non-cyclical business, but its cyclically adjusted earnings and its actual earnings are almost identical, which means investors can have a high degree of confidence in where profits are going to be in three- or five-years' time.

Looking at the chart above, we can see the firm's earnings have continued to grow, with one or two flat years but no actual down years, since as far back as 1980.

In fact, we calculate the firm has increased its earnings per share over 40-plus years at an average compound annual growth rate of 13.6%, far in excess of the FTSE 100 average, and it's done that with very little variation or volatility.

This makes Halma one of the most under-appreciated growth stocks in the market and is undoubtedly down to management's understanding of the value of operating in essential niche markets across the globe where competition is limited and returns are therefore significantly higher than normal.

To show how resilient the group is to external factors, even during the pandemic earnings per share barely budged and in fact by June 2021 they were already above their previous peak.

SURELY THAT MEANS THE SHARES ARE EXPENSIVE?

Naturally, you would expect a company which grows its earnings so quickly and so consistently with so little volatility to command a hefty price tag.

However, thanks to the general sell-off in UK stocks since the pandemic, Halma shares now trade almost one standard deviation (a measure of divergence) *below* their historic average PE based on cyclically adjusted earnings.

In other words, at the current price the company trades on the same rating, around 25 times earnings, it did in 2011 coming out of the great financial crisis when annual earnings were around a third of today's level.

It's worth noting that between 2011 and 2020, the shares didn't just recover to their long-term average, they hit 50 times earnings or almost one standard deviation *above* their average.

Therefore, assuming the company's growth model and its track record of compounding earnings aren't broken – and we very much doubt that is the case – investors are being gifted the opportunity today to buy into one of the most innovate yet least-appreciated companies in the FTSE 100 at a substantial discount to fair value.

Given the firm's long-term ability to grow its earnings at a double-digit rate, we suspect consensus forecasts for the next few years are conservative, meaning there should be upgrades to come which will help with the rerating of the shares.

By **Ian Conway** Companies Editor

Where Templeton Emerging Markets Investment Trust is seeing the very best opportunities

Bright spots include Korea and India but you need to know where to look

'Emerging markets have been quite choppy in recent years, but we haven't had a banking crisis [equivalent to Europe] and we have emerged relatively unscathed,' says Chetan Sehgal, lead portfolio manager of **Templeton Emerging Markets Investment Trust (TEM)** one of the oldest emerging markets focused trusts.

Sehgal still sees lots of opportunities in the developing world despite a difficult year dominated by China's unexpectedly difficult recovery from Covid.

'China out of all the emerging markets has been the most depressed [this year] due to geopolitical overhang, a tough time emerging from the Covid-19 pandemic and demographics.

'In general supply chains have been starting to move out of China. The Chinese property bubble has also burst, and this has depressed parts of economy. China remains competitive, and it is still a very competent manufacturing location,' adds Sehgal.

EMERGING OPPORTUNITIES

These enduring strengths suggest China is far from 'down and out' just yet on the global stage but when it comes to really compelling opportunities Sehgal is quick to point to countries like South Korea and India.

In September South Korea announced that it will allow offshore companies to apply for the right to trade in the local currency. This has been viewed by analysts as another step in the right direction for Korean securities and their ambition to be included in MSCI's developed market indices – Korea is already classed as a developed market by FTSE Russell.

Many of the trusts top 10 holdings are from South Korea including companies such as **Samsung Electronics (005930:KRX)**, **Naver Corp (035420:KRX)**, **LG Corp (003550:KRX)** and **Samsung Life Insurance (032830:KRX)**.

When it comes to India, Sehgal highlights several burgeoning internet companies which have attracted a younger part of the Indian population. Recent additions to the portfolio include **Zomato (ZOMATO:NSE)** and **PolicyBazaar (POLICYBZR:NSE)**.

The food delivery company Zomato recently reported its second straight quarterly profit of $4.3 million or 360 million rupees for the second quarter ending 30 September beating analysts' expectations of a loss 201.7 million rupees.

The food delivery company launched its IPO in

Templeton Emerging Markets Investment Trust – top 10 holdings

Company	%	Country
Taiwan Semiconductor Manufacturing	10.2%	Taiwan
ICICI Bank	5.5%	India
Samsung Electronics	5.5%	South Korea
Alibaba Group	5.1%	China
Naver Corp	3.2%	South Korea
Petroleo Brasileiro	3.2%	Brazil
Tencent Holdings	3.1%	China
Prosus	2.7%	China
LG Corp	2.6%	South Korea
Samsung Life Insurance	2.6%	South Korea

Table: Shares magazine • Source: Templeton Emerging Markets Investment Trust (as of 30 September 2023)

July 2021 and opened at a 52.6% premium over the IPO price but has since lost momentum.

'Despite being shunned by the markets for their high valuations we took these companies on due to their high-quality entrepreneurship,' Sehgal says.

One of the trust's largest holdings is Indian bank **ICICI Bank (ICICIBANK:NSE)** (5.54% of the portfolio) which participates in a range of banking and financial services including commercial banking and treasury operations. Year-on-year ICICI Bank grew its revenues 18.2% while net income improved 35%. Year-to-date the company's shares have risen a modest 3%.

THE THREE 'S'S'

When it comes to stock selection Sehgal says the team focus 'on structural trends, sustainable earnings power and stewardship'.

An example of how the investment managers employ this method is provided by a stock like **Taiwan Semiconductor Manufacturing Company (2330:TPE)** which plays into clear structural trends.

Sehgal says: We invest in semiconductors as they have become increasingly part of our everyday lives. Whether it is smaller gadgets, autonomous driving, iPhones, iPads, air pods to smart watches. We have a company like Taiwan Semiconductor Manufacturing Company which has become a world leader not just an emerging markets leader.'

Year-to-date the stock has risen over 33% to sit around the $98 mark. It is the trust's top holding at 10.2%.

LONG-TERM PERFORMANCE

The trust's strategy has helped to deliver strong annualised returns. Over one year the trust's share price has beaten its benchmark – the MSCI Emerging Markets Index – returning 12% versus 5.6%. Over five years the trust's share price has delivered 4.13% on an annualised performance basis versus its benchmark's 3.04%.

Sehgal says: 'Our performance in 2022 was abnormal as we had exposure to Russia, so the trust's performance suffered because of this. Our success is mostly due to our stock selection, of mostly local companies, and we have analysts producing ideas feeding into our portfolio. We also do not restrict our portfolio choices to just a few companies. We look to profitable companies, growth companies with favourable valuations.'

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

Why now could be the time to switch to an equal-weight S&P 500 ETF

Strategist argues a passive approach to the US market 'could come unstuck'

We have covered the issue of diversification many times this year in light of the extreme levels of concentration in US equities, where the top 10 stocks by market weight now account for a record 31% of the S&P 500 index.

This in turn means the US now makes up 63% of the MSCI All-Country World Index as of the end of October, so even investors who take a global approach are holding lots of US stocks and the top 10 in particular.

As Duncan Lamont, head of strategic research at fund management group **Schroders (SDR)**, puts it, global stock markets have become 'top-heavy'.

'This is clearly a problem for investors trying to build diversified portfolios as a significant proportion of their risk is being driven by a relatively small number of companies,' says Lamont.

New research by Schroders shows that investors who passively track the US market tend to lose out in the years following high levels of index concentration.

'Our research finds that, in the past, there has been a strong, statistically significant relationship between the degree of concentration in the S&P 500 and how the equal-weighted S&P 500 has performed relative to the S&P 500. The higher the concentration, the greater the outperformance of the equal-weighed S&P over the next five years.'

In other words, deviating from the market has been a winning strategy when concentration has been high.

As its name suggests, the equal-weighted S&P 500 index gives the same weight to all 500 stocks which means it underweights the biggest companies by market value and overweights the smallest.

The result is that when the biggest stocks in the index start to underperform, the equal-weighted index – which only has 2% exposure to the top 10 names in the cap-weighted index – races ahead.

Weightings int the MSCI All-Country World Index

As of 31 October 2023

Selection	Weighting
United States	62.6%
Top 10 US stocks	18.5%
Japan	5.5%
UK	3.7%
China	3.2%
France	2.9%
Other	22.0%

Table: Shares magazine • Source: MSCI

Based on today's 31% weight for the 10 largest stocks, this relationship suggests that the equal-weighted S&P 500 could outperform by more than 15% a year over the next five years, says Lamont.

'This is a strong argument that the passive, market cap-weighted strategy favoured by many could struggle compared with others which have more freedom to deviate from such concentrated exposure.

'Of course, this time may be different. However, even if the magnitude is up for debate, the broad conclusion appears robust: when the market has become very concentrated in a few stocks, investors have done better by allocating away from those stocks.'

Investors can track an S&P 500 equal-weighted index through **iShares S&P 500 Equal Weight ETF (EWSP)** and the **Xtrackers S&P 500 Equal Weight ETF (XDWE)**, which are both quoted in sterling and carry a 0.2% ongoing charge.

By **Ian Conway** Companies Editor

Searching for signs of life from recent market dogs

What can we learn from our *Down in the Dumps* stocks?

Can investors expect slumping stocks to bounce back? The obvious answer to this question is, it depends which stocks, and why they slumped. Share prices fall for many reasons. Some remain unloved, cast aside by equity markets like sodden paper bags. Others recover, fixing perceived problems and re-emerging from the equities' emergency room.

Digging around the debris of past disasters is what so-called value investors do, hoping that their industrious rummaging will unearth a company on the mend, and a share price with significant recovery potential.

Doing this successfully is not a simple process. *Shares* thought it would make an interesting exercise to skim through some of the stocks that have been highlighted in our *Down in the Dumps* slot in recent months.

WHAT ARE DOWN IN THE DUMPS STOCKS?

We use the section to regularly scan markets to highlight company share prices that have fallen sharply and attempt to unravel why. There is no formula as such, rather we try to find stories that may be interesting to readers, and maybe, and this is what we hope to discover here, if the featured stocks hold much hope for a turnaround worth backing early.

We felt it would be most instructive to study companies that have featured reasonably recently yet have had a decent amount of time for any recovery to take hold. For this reason, we are concentrating on the 13 stocks to feature in our online magazine between the beginning of July and the end of September 2023.

As you can see from the accompanying table, it is an eclectic list of financials, consumer goods and services providers, commodities suppliers, and retail businesses, drawn from both sides of the Atlantic.

DOGS WITH EXTRA FLEAS

Perhaps what stands out most obviously is that featuring in the *Down in the Dumps* section can be a pretty good warning flag that further declines are likely. Six of the 13 shares have racked-up double-digit falls since being featured, with **Vanquis Banking (VANQ)** and **Pod Point (PODP)** posting particularly ugly performance.

For Vanquis, getting kicked out of the FTSE 250 index in August 2023 would not have helped its cause (which we warned could happen), it would

How 'Down in the Dumps' stocks have fared

Company	What was the trigger	When	Share price	Share price now	Subsequent gain/loss %
Campbell Soup	Falling profits	06-Jul	$46	$40.96	-11%
Currys	Consumer spending worries	13-Jul	48.4p	47.36p	-2%
Vanquis Banking	Loan book risk	20-Jul	183.6p	114.4p	-38%
Liontrust	Merger risk	27-Jul	665p	565p	-15%
On the Beach	Marketing costs	03-Aug	89p	116p	30%
Ferrexpo	Russian invasion of Ukraine	10-Aug	84.1p	80.8p	-4%
Podpoint	Profit risk	17-Aug	33.75p	24.5p	-28%
Everyman Media	Cinema financial risks	24-Aug	60p	62p	3%
Abrdn	Fund outflows	31-Aug	161.3p	168.9p	5%
Walgreens Boots Alliance	Management change	07-Sep	$23.43	$20.69	-12%
CVS	CMA probe	14-Sep	£15.06	£15.28	2%
Bakkavor	Industrial action	21-Sep	96.2p	85.8p	-10%
DFS	Weak trading, dividend cut	28-Sep	113p	106.4p	-6%

Table: Shares magazine • Source: Shares magazine, Google Finance

have seen funds that invest specifically in UK mid-caps sell their stakes.

Arguably, more important, is the old Provident Financial's attempt to change its spots. As we said at the time, shifting away from higher-risk, poor credit borrowers to a more mainstream, lower credit threat provider was never going to be quick or easy.

'A lender doesn't change its whole loan book overnight and investors are clearly worried about Vanquis' long-tail of higher-risk borrowers, especially with interest rates seen staying higher for longer', is what we explained. Add in a questionable lending reputation – it had been accused of handing out unaffordable loans to cash-strapped borrowers – makes for a toxic mix that has seen thousands of investors sell the shares and move on.

Clearly, the timeframe under review is too short to draw long-run conclusions and perhaps sweeping management and operational changes may come good in time.

Electric vehicle home-charging operator Pod Point is an entirely different story, albeit, with a similar short-term outcome. *Shares* expressed reservations about the investment opportunity two years ago based on its lofty valuation, limited visibility on its road to profit and a competitive marketplace.

As is often the case with start-ups, dragging Pod Point into profit is taking longer, and the road has been far bumpier than initial hopes. Results for the six months to 30 June (31 July) suggested the company is no closer to achieving profitability, while 'a drop in revenue of 26% to £30.6 million saw its net loss widen by 337% to £33 million with cash on the balance sheet falling from £74.1 million at the start of 2023 to £58.8 million', as we explained.

There is hope, of course. Electric vehicles are hitting UK roads in ever greater numbers and drivers will need a home recharging set-up to fuel their Teslas and Toyotas. Many may choose Pod Point down the line, which could create a nationwide empire of recurring revenue units. But there are also well-funded rivals and more will come.

OUT OF THE DOGHOUSE

Successes are fewer and further between, with online holidays firm **On the Beach (OTB)** the standout here after a 30% share price rally since being featured as a *Down in the Dumps* stock more than three months ago (3 August). Investors had been concerned about the firm's substantial marketing splurge, where it had backed top TV shows like ITV's *The Masked Singer*.

Yet management's expensive decision to throw money at seeding demand paid off. In September, the company reported summer 2023 passenger numbers 11% ahead of 2022 and winter bookings 26% higher, prompting news that profits in the year to September 2023 would be ahead of expectations, the sort of announcement investors never tire of.

LESSONS LEARNED

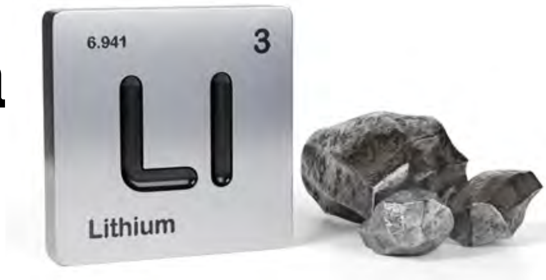
So, what have we learned from this exercise? Perhaps that following the *Down in the Dumps* section has some merit. It can alert readers to companies in trouble, and sometimes offer a hint to whether change is likely. It can also throw up warnings that some stocks are in the mire for a good reason, and that they should probably be avoided for the foreseeable future.

But chiefly, that this is a relatively small sample size and that it usually takes longer than a handful of months for companies to demonstrate genuine recovery. This may mean deeper investigation could offer new pointers and we may take on a similar exercise in future using a larger sample size and time frame to see.

By **Steven Frazer** News Editor

Editor's View: Tom Sieber

Find out why lithium is getting interesting again



Prices have plunged but there is a land grab in Australia while ExxonMobil and UK small caps are getting in on the action

An insight into the extent to which environmental issues have faced push-back in 2023 is the performance of lithium.

The raw element, a key component in batteries for EVs (electric vehicles), has plunged in value in 2023. It's an opaque market but most sources suggest prices have dropped by at least three quarters and are down nearly 80% from their peak in November 2022.

Understandably this has had a knock-on effect on lithium miners and seen a lot of investor excitement in the space die down, conversely making it worthy of attention once again.

Down Under there are signs the industry remains enthused about lithium's potential. As the *Financial Times* has flagged, in September US outfit **Albemarle (ALB:NYSE)** – the world's leading producer – attempted to buy Aussie-based firm **Liontown Resources (LTR:ASX)** in a $4.3 billion deal. Chile's **SQM (SQM:NYSE)** also looked to snap up **Azure Minerals (AZS:ASX)** in a $1 billion deal.

Both transactions, targeting developers in the Western Australian Pilbara mining region, were foiled by native iron ore magnate Gina Rinehart who had quietly built up spoiling stakes in both Liontown and Azure.

The man behind Australia's **Mineral Resources (MIN:ASX)**, Chris Ellison, is also invested in several lithium projects in the Pilbara.

As this land grab plays out in Australia, US energy giant **ExxonMobil (XOM:NYSE)** has unveiled its own plans to invest in lithium.

In early 2023 it acquired the rights to 120,000 acres in southern Arkansas and, as it drills its first well, it aims to be in production by 2027 and to have the requisite output to supply the manufacturing needs of more than one million EVs per year by 2030.

ExxonMobil plans to employ DLE (direct lithium extraction) technology — which is less polluting and has a smaller footprint — to obtain the lithium. DLE uses an absorbent to extract lithium from brine water without the need for evaporation, meaning the water can be reinjected into the underground basins once the lithium has been extracted.

This use of DLE creates a link to a much smaller UK-listed company, **Cleantech Lithium (CTL:AIM)**, which aims to employ DLE powered by renewable energy to be a leading supplier of 'green' lithium into the EV market.

Operating in Chile, the company recently raised £8 million to help fund the completion and running of a pilot plant to fine-tune the DLE process as it looks to advance its Laguna Verde and Francisco Basin developments.

Fellow AIM-quoted lithium play **Atlantic Lithium (ALL:AIM)** is in the process of building Ghana's first lithium mine, Ewoyaa, and is targeting first concentrate in 2025. The company recently rebuffed a 33p per share offer from major shareholder and mining holding company Assore International.

Atlantic's executive chair Neil Herbert tells *Shares* this is 'the simplest project I've worked on in 25 years'. Noting the infrastructure is in place, it's in a good jurisdiction with no issues with staff, and equipment is readily available as the company looks to break ground on the development next September.

Much of the work will be funded by partner **Piedmont Lithium (PLL:ASX)** and investment from a Ghanaian sovereign wealth fund, with offtake agreements likely contributing to Atlantic's estimated remaining $38 million share of capex.

Herbert is relaxed about current lithium prices thanks to the low-cost nature of Ewoyaa, and notes prices this time last year hit 'insane' levels. 'Low-cost mines win, every time. I'd rather be lucky than smart,' he observes.

ADVERTISING FEATURE

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SOLAR POWER: THE OPPORTUNITY

The global transition to Net Zero is the biggest challenge in a generation for governments and businesses – but it also presents a once-in-a-generation opportunity for investors. Ross Driver, Managing Director at Foresight Group and Fund Manager of Foresight Solar Fund Limited (FSFL), shares his thoughts on the role of investment in creating a low carbon economy.

The Net Zero opportunity

The UK has already cut emissions by 48% compared to 1990 levels, but there is a long way to go to reach legally-binding Net Zero commitments. At the heart of this process is electrification: switching our homes, workplaces and transport from fossil fuels to electrons, especially those that can be produced through clean energy.

In the UK, renewables' share of total electricity generation reached a record 47.8% in the first quarter of 2023. Almost 2.3% in that period was produced by solar farms dotted across the country. As the need for renewable power grows, solar has the potential to represent a larger share of the energy mix because of its relatively low cost and quick deployment speed.

Why invest in solar?

The need for capital to increase the momentum behind solar generation, however, is stark. The UK has to deliver 4.3GW of new solar per year to meet its Net Zero targets. Despite the impressive pipeline the solar industry has amassed, with an additional 85GW planned across over a thousand sites, the most the country has deployed was almost 4GW in 2015. We've never come close since.

Although power generation is weather-dependent, solar is seen as a low-risk renewable infrastructure investment opportunity because it is a proven technology, used to reliably generate power all over the world. It is not only the quickest electricity generation technology to build, but also the cheapest. The government has noticed this and supports this desirable part of the UK's energy mix in the transition to Net Zero.

Why invest in Foresight Solar?

Renewable energy investment trusts provide direct access to the technologies which are taking fossil fuels off the grid and decarbonising the UK. All the while generating steady, reliable cashflows for investors.

Last month, Foresight Solar celebrated its 10-year anniversary. Since its IPO, the investment trust has produced more the 6TWh of renewable energy – equivalent to powering 2.1 million UK homes for an entire year – and avoided 2.2M tonnes of carbon dioxide equivalent (tCO_2e) compared to coal. In that decade, it has also raised its dividend every single year, taking it from 6p in 2013 to a targeted 7.55p in 2023 – a 25% rise.

Foresight Solar is an established investor in solar farms and battery storage across the UK, Europe and Australia. The fund offers investors the chance to access a diversified portfolio of solar assets which generate high-quality cash flow through a sustainable and progressive quarterly dividend with growth opportunities. For more information on Foresight Solar, visit https://fsfl.foresightgroup.eu/.

Ross Driver oversees the delivery of Foresight Solar's investment mandate. A Managing Director at Foresight Group, he has almost 20 years' infrastructure and renewable energy investment experience covering deal structuring and execution, debt financing and asset management across multiple asset classes.

Why the dollar's decline matters

The US currency influences everything from commodities to emerging markets

After shedding all of this year's gains during an autumn retreat, the US dollar, as benchmarked by the trade-weighted DXY basket, or 'Dixie' index, stands no higher now than it did in spring 2022. Investors must assess why the globe's reserve currency is sliding, whether those trends will continue and what would be the potential implications for investment portfolios should the greenback continue to weaken.

DXY dollar index stands back at spring 2022 levels

LSEG Datastream data

HIGHWAY TO HELL

There are three potential explanations for the dollar's weakness. The first is that the US Federal Reserve is done with raising interest rates and is primed to cut them in 2024, after the gallop to 5.50% in July from 0.25% in February 2022. Whether this is in response to lower inflation or economic weakness remains to be seen.

The second is the ballooning US budget deficit. Some are already arguing that a return to QE (quantitative easing) is one possible way out, to monetise the $33 trillion (and growing) Federal debt and artificially suppress bond yields and interest rates, at the same time increasing the supply of dollars and lowering the return on holding them.

There is no sign of this yet, but the US Treasury is clearly aware of the dangers. It has shifted to

issuing short-term treasury bills (and away from long-term treasuries) to fund the US government's insatiable funding needs. It may be expedient, because the alternatives are higher taxes, spending cuts or higher treasury yields to drum up demand for long-term bonds, but it is a bad look, one that is straight from emerging markets and that is inherently inflationary, given the lack of fiscal discipline involved.

The Treasury is aiming to meet nearly 60% of this quarter's funding needs with short-term bills, rather than the usual 15% to 20%. Inflation means loss of purchasing power and a less attractive currency.

The third is that non-US central banks are diversifying their foreign exchange reserves away from America's currency, because of their concerns over America's federal deficit and future supply of bills, Treasuries and thus dollars. The International Monetary Fund's latest quarterly *Composition of Official Foreign Exchange Reserves (COFER)* report confirms the long-term trend away from dollar holdings. As of September 2023, the dollar represented 59% of global exchange reserves, only a fraction above December's 2021's 25-year low and way down from this century's 73% peak, back in 2001. The DXY is higher now than it was then, so loss of value is not the reason, either.

Over the past two decades, the euro has made its presence felt (nearly 20% of all forex reserves), as has the Chinese renminbi, but the latter is barely 3% of allocated forex reserves even now, and Beijing's tight control of its currency is just one reason why it is not going to replace the dollar as the globe's reserve currency any time soon.

US dollar continues to lose status as a reserve currency

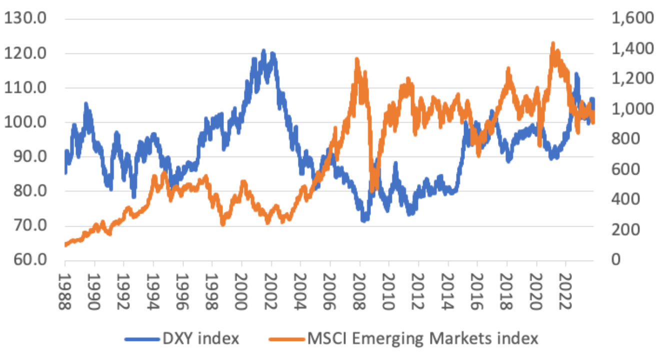
International Monetary Fund, LSEG Datastream data

As such, any 'demise of the dollar' narrative should not be overplayed, not least given the lack of credible alternatives, but investors need to assess whether any of the three above trends will become entrenched, given the potential implications for portfolios.

BACK IN BLACK

Two asset classes in particular look sensitive to the dollar. The first is commodities. All major raw materials, except cocoa (which trades in sterling) are priced in dollars. If the US currency rises then that makes them more expensive to buy for those nations whose currency is not the dollar or is not pegged to it and that can dampen demand, or so the theory goes. While the past is by no means a guarantee for the future, it can be argued that there is an inverse relationship between the DXY and commodity prices.

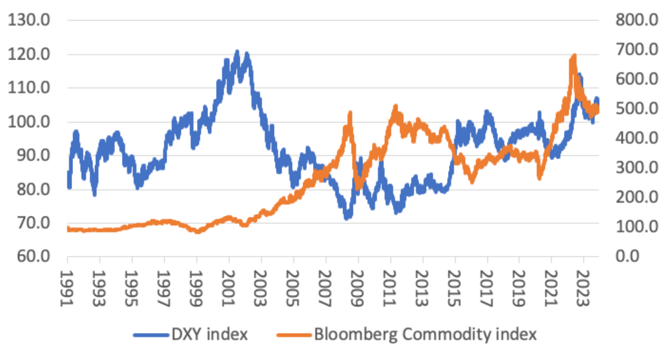
Strong dollar is traditionally seen as negative for commodity prices



LSEG Datastream data

The second is emerging equity markets. They do not appear to welcome a strong dollar either, judging by the inverse relationship which seems to exist between the DXY and MSCI Emerging Markets (EM) benchmarks. Dollar strength at the very least coincided with major swoons in EM, or at least periods of marked underperformance relative to developed markets, during 1995-2000 and 2012-15. Retreats in the greenback, by contrast, appeared to give impetus to emerging equity arenas in 2003-07, 2009-12 and 2017-18.

Emerging markets can also be sensitive to big moves in the dollar



LSEG Datastream data

This also makes sense, in that many emerging (and frontier) nations borrow in dollars and weakness in their currency relative to the American one makes it more expensive to pay the coupons and eventually repay the original loans.

Dollar weakness could therefore mean a resurgence in interest in two downtrodden asset classes, especially commodities. Should the American reliance on short-term T-bill funding lead to a second upward leg in inflation, then investors may look for stores of value where supply grows slowly in absolute terms, or at least relative to potentially rapid increases in the supply of fiat currency.

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

How the changes to national insurance will affect you

Explaining the headline tax giveaway in the Autumn Statement

The changes announced by Jeremy Hunt to national insurance at the Autumn Statement, mean millions of workers will see their pay packets get a little boost next year. But what were the changes, what do they mean for self-employed people as well as employed, and how do your credits for the state pension work now?

WHAT WERE THE CHANGES ANNOUNCED FOR EMPLOYED PEOPLE?

Hunt said he would cut the main rate of national insurance from 12% down to 10%. This rate for ‘class 1’ national insurance applies to earnings between £12,570 and £50,270. It means that anyone with earnings of more than £12,570 will see a cut to their national insurance bill, which will boost their take-home pay.

The move will save an employed working couple up to £1,500 a year and will save someone on a £30,000 salary around £350 a year, while anyone earning more than the £50,270 threshold will save the maximum of £754 a year.

The chancellor has also fast-tracked the move, meaning that it will come in from 6th January next year, rather than the new tax year in April. Employees don’t need to do anything to apply for the cut, their payroll department will handle the change and they will see the impact directly in their pay packet.

WHAT ABOUT THE CHANGES FOR SELF-EMPLOYED PEOPLE?

The chancellor made two changes that impact self-employed people: he cut the rate of national insurance on ‘class 4’ contributions, and he abolished ‘class 2’ contributions.

Let’s take the ‘class 2’ contributions first. These are a flat rate payment that self employed people make, based on a weekly amount. It’s currently £3.45 a week but would have risen to £3.70 from April next year. These payments are made by anyone with profits above £12,570 a year (although it’s actually based on weekly earnings) and are used to count towards people’s national insurance record for state pension and other benefit purposes. Self-employed people will no longer have to pay them, but they will still receive that credit towards their national insurance record.

Previously someone who have profits between £6,725 and £12,570 received a national insurance credit but didn’t have to pay the class 2 contribution. These people will still receive the credit and still won’t have to pay the class 2 rate

How much employed changes to national insurance save individuals

Salary	Current total national insurance cost	National insurance cost from January 2024	Difference
£20,000	£891.60	£743.00	£148.60
£30,000	£2,091.60	£1,743.00	£348.60
£40,000	£3,291.60	£2,743.00	£548.60
£50,000	£4,491.60	£3,743.00	£748.60
£60,000	£4,718.60	£3,964.60	£754.00
£70,000	£4,918.60	£4,164.60	£754.00
£80,000	£5,118.60	£4,364.60	£754.00
£90,000	£5,318.60	£4,564.60	£754.00
£100,000	£5,518.60	£4,764.60	£754.00

Table: Shares magazine • Source: AJ Bell

How much self-employed changes to national insurance save individuals

Salary	Current class 2 and class 4 cost	Class 2 and class 4 cost from April	Cost saving
£20,000	848	594	£253.70
£30,000	1,748	1,394	£353.70
£40,000	2,648	2,194	£453.70
£50,000	3,548	2,994	£553.70
£60,000	3,767	3,211	£556.40
£70,000	3,967	3,411	£556.40
£80,000	4,167	3,611	£556.40
£90,000	4,367	3,811	£556.40
£100,000	4,567	4,011	£556.40

Table: Shares magazine • Source: AJ Bell

(because it will no longer exist).

Next up class 4 contributions: these are paid by self employed people on their profits, in a similar way to Class 1 contributions made by employed people. Currently you pay 9% of your earnings between £12,570 and £50,270 and then 2% above that (you pay no National insurance on the first £12,570 of your self-employed profits). The chancellor has cut the main rate from 9% down to 8%.

Both the class 2 and class 4 changes will come in from April next year.

2024 financial year changes to national insurance by salary

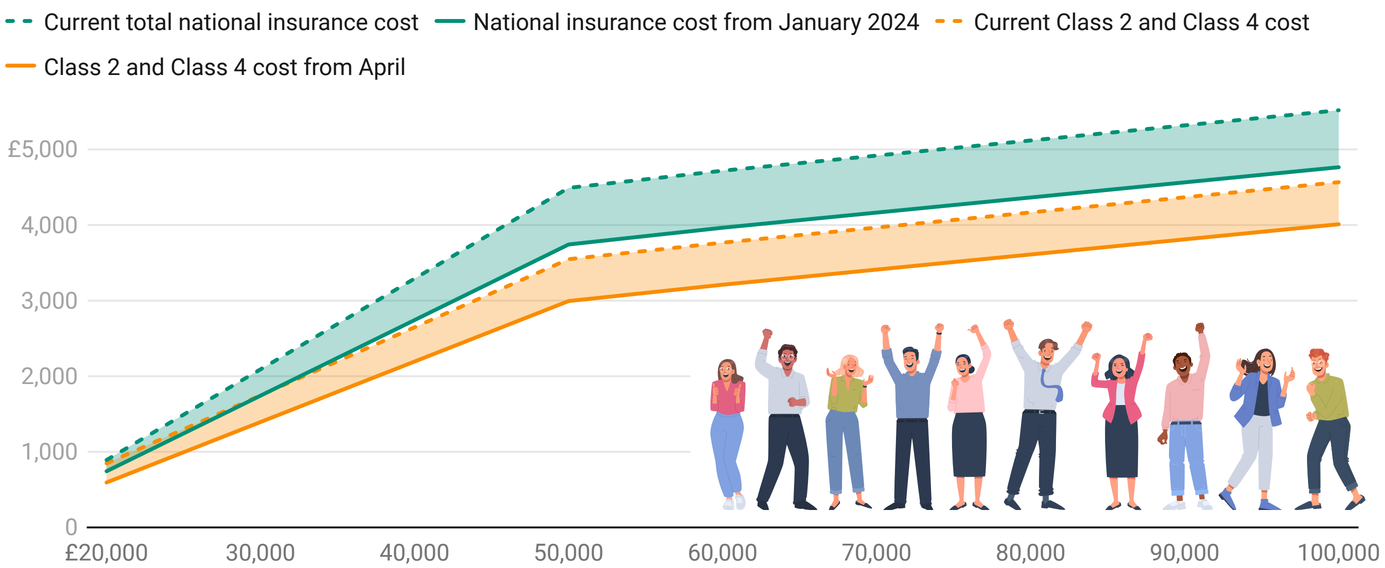


Chart: Shares magazine • Source: AJ Bell

HOW MUCH DOES THIS SAVE SELF EMPLOYED PEOPLE?

Currently someone with profits over the £12,570 annual threshold will be paying £179.40 a year in class 2 contributions, but this would have increased to £192.40 from next April. This means they will save this sum from April next year.

On top of that the changes to the class 4 rate will mean someone with profits of £30,000 will save £353,70 while someone earning more than £50,270 will save the maximum of £556.40 a year.

WHAT ABOUT IF I MAKE VOLUNTARY NATIONAL INSURANCE CONTRIBUTIONS?

Some people pay class 2 national insurance contributions even if their earnings aren't high enough to require them to do so. That's because they want to get a credit towards their state pension record or to be eligible for certain other state benefits, such as maternity allowance and contribution-based employment and support allowance.

The Government says that people will still be able to pay the voluntary class 2 contributions and that it will freeze the rate at its current level – which is £3.45 a week. It will lay out the full detail of the reform to national insurance next year, before the changes come into force in April.

IS THIS A BIG TAX SAVING?

On paper this looks like a decent tax cut and a way to boost people's take-home pay. However, it has to be set in the context of a Government who has frozen tax bands at a time of high inflation, meaning that people are being pushed into the next tax bracket and paying more tax.

While the Government has made these changes to the national insurance rates it has still frozen the threshold at which you start paying national insurance, rather than raising it in line with inflation. It means that people will start to pay national insurance once their earnings or profits reach £12,570 – when usually this would rise by a bit each year to account for rising wages.

You only have to look at the Government's figures on how much this move costs versus how much they are making from frozen tax bands. The Government says that the changes to national insurance, for both employed and self-employed, will cost it £9.44 billion a year. Meanwhile, the Institute for Fiscal Studies estimates that frozen tax bands will make the Government £50 billion a year – so significantly more.

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

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Cohort 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.

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What do plans for a ‘pension pot for life’ actually mean in practice?

Addressing a question about a key reform to the retirement savings landscape proposed in the Autumn Statement

I’ve seen Government plans for people to have one pension pot for life instead of different ones for each job. What has been proposed and should I wait for the changes to be implemented before consolidating my existing pensions?
Anonymous

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

The ‘pot for life’ pension reforms floated by chancellor Jeremy Hunt at the Autumn Statement on 22 November are an attempt to reduce the number of retirement pots someone builds up over their career. Some estimates suggest workers will change employer around 10 times on average during their working lives, with each job switch potentially creating a new pension with a new provider.

According to the Pensions Policy Institute, a respected think-tank, ‘lost’ pension pots in the UK are worth somewhere in the region of £27 billion, with the challenge exacerbated by automatic enrolment reforms which require employers to establish a pension scheme for their staff. Advocates of the pot for life reforms argue that by allowing workers to keep their existing pension when they change jobs (or potentially choose another pension), the number of new pension pots created could be drastically reduced.

Employees could also benefit from extra choice and flexibility if pot for life becomes a reality. At the moment, while some firms may offer an alternative to the main workplace scheme, such as a SIPP, or a bit of choice over your auto-enrolment investments, they don’t have to. Often you will just have the default investment charge-capped investment and possibly a limited range of the provider’s own funds to choose from.

However, there are still some fairly major roadblocks in the way to pot for life becoming a reality. Most obviously, requiring employers of all sizes – from corner shops to multi-national corporations – to potentially connect to dozens of different pension schemes is no small task. The Government acknowledges a ‘clearing house’ would need to be built to facilitate this - something which would likely require significant time and resource.

This is perhaps one of the reasons the Government has only published a ‘call for evidence’ on these plans, rather than a 'consultation'. Realistically, there is little chance the reforms will progress from idea towards reality before the general election, whenever that happens.

CONSOLIDATING YOUR PENSIONS

You therefore shouldn't base your decision on whether to combine your existing retirement pots on a reform which may or may not ever see the light of day. There are, however, plenty of potential benefits to getting all your pensions in one place. Most obviously, a single retirement pot is much easier to track and manage than having various pensions with different providers. You could also benefit from lower costs and charges, increased income flexibility and more investment choice by switching provider.

Older pension schemes, for example, often charge more than modern pensions, while plenty of workplace schemes don't offer a full range of retirement income options or restrict your investments to the firm's own in-house funds.

The impact of reducing your pension charges can be significant, particularly over the long term. For example, someone who contributes £2,000 per year to their pension and pays 1% in charges could end up with £10,000 less in retirement than someone who pays 0.5% in charges.

If you do decide to consolidate with a single provider, assuming these are 'defined contribution' pensions – where you build up a pot of money which you can access from age 55 – the process should be relatively simple. Note that the minimum age you can access your pension is set to rise to 57 in 2028.

If you have a 'defined benefit' pension valued at least £30,000 or more, you will need to take regulated financial advice before transferring. Where defined contribution savers build up a pot of money, defined benefit schemes provide an income for life from a set date, usually based on your salary and the number of years you have been a member of the scheme. Lots of providers will only accept a transfer from your defined benefit scheme where the adviser has recommended you do this.

You'll just need to choose a provider with whom you want to consolidate your pensions and get the details of the pension or pensions you want to transfer over. Once you've given the relevant details to your new provider, they should do all the legwork for you.

DECIDING WHERE TO INVEST

You will then need to decide where to invest your pension. When doing this, make sure you are comfortable with the risks you are taking, have a diversified selection of investments and, crucially, keep your costs as low as possible.

Many firms offer a choice of diversified funds designed to meet different risk appetites if you aren't confident choosing your own investments.

The Pension Tracing Service is a useful tool to locate missing pensions, and some providers also may be able help. AJ Bell, for example, has a 'Pension Finder' service.

DISCLAIMER: Financial services company AJ Bell referenced in the article owns Shares magazine. The author of the article (Tom Selby) and the editor of the article (Tom Sieber) own shares in AJ Bell.

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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THIS WEEK: 8 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

Growth & Innovation

Cake Box

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

NOVEMBER 2023

ISSN 2632-5748

Introduction

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

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

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

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

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

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

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

Previous issues of Spotlight are available on our website.

The long and winding road: fast-charging infrastructure for EVs

Significant expansion is needed to help deliver the move away from combustion engines

This article is based on a report produced by Edison Investment Research, other [thematic research](#) is available.

Road transport accounts for circa 16% of global carbon dioxide emissions so widespread adoption of electric vehicles (EVs) is essential if governments are to achieve their net zero ambitions.

Electric Vehicle charging infrastructure key to achieving net zero The International Energy Agency (IEA) calculates that to achieve its Net Zero Emissions by 2050 Scenario, the global EV car fleet needs to expand to over 300 million by 2030, with EVs accounting for 60% of all new car sales.

Since the adoption of EVs has been held back by the higher purchase cost and the availability of publicly available rapid-charging points, governments keen for their citizens to transition to EVs are making material investments in charging infrastructure.

INFRASTRUCTURE ENHANCEMENTS REQUIRED

The IEA expects only a modest increase in total demand for electricity associated with EVs by 2030. However, the distribution infrastructure in rural areas is typically sized for low loads and slow predicted load growth so it may not have the capacity required to support a motorway service station with multiple fast-charging points.

One option for a potential charge-point owner is to apply for the local power grid to be upgraded, which is a lengthy process requiring high capital costs. The alternative is to deploy battery-buffered charging points such as those from **ADS-TEC (ADSE:NASDAQ)**.

These battery-buffered charging points can be installed quickly and relatively inexpensively. Since a battery-buffered system can charge outside peak tariff times, the operating costs of battery-buffered systems are typically lower than for non-battery-buffered systems as well.

INVESTING IN EV CHARGING INFRASTRUCTURE

There are investment opportunities at every level of the charging infrastructure supply chain: critical materials; power electronic components; equipment providers; charge-point operators; and investment trusts. These systems can be split into DC-based fastcharging systems, which may potentially be battery-buffered, and AC wallboxes for residential use. In our opinion, fast-charging systems provide more opportunity to create differentiated high-margin product than consumer wallboxes.

FAST-CHARGING INFRASTRUCTURE A PREREQUISITE FOR EV ADOPTION

At present, most EV owners charge their vehicles at home or at their place of work. But for EV adoption to accelerate at the rate required for governments to meet their net zero targets, access to public charging networks will need to improve.

The top-selling battery EV in 2022 was the Tesla Model Y. It is equipped with a CATL LFP60 battery with 60kWh nominal capacity, having an estimated range of 150 to 310 miles, depending on the external temperature and whether the vehicle is being driven in a city or at a constant speed on an open highway.

The battery takes nine hours and 15 minutes to charge fully at home, unless the property has a three-phase grid connection, in which case the charge time reduces to six hours and 15 minutes.

The battery capacity means that a driver cannot travel from London to Edinburgh, 400 miles, or from Munich to Berlin, a distance of 365 miles, without stopping at a fast-charging point during the journey.

The time taken to charge at a fast-charging point is around 25 minutes.

GOVERNMENT TARGETS FOR EV ADOPTION

Governments across the globe have set targets for EV adoption. For example, in August 2021, US President Joe Biden signed an executive order setting an ambitious target to make 50% of all new vehicles sold in 2030 zero-emissions vehicles (i.e., battery electric, plug-in hybrid electric or fuel cell electric vehicles).

Achieving this target would facilitate reaching the president's goal of cutting net greenhouse gas emissions nationally by 50–52% compared to 2005 levels by 2030 and getting to net zero by 2050.

As part of the European Union's 'Fit for 55' package, which is intended to enable the region to reduce its net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels and to achieve climate neutrality in 2050, the EU announced regulations in March 2023 specifically for major automotive manufacturers.

The new regulations require a 55% reduction in CO_2 emissions for new cars from 2030 to 2034 compared to 2021 levels and a 100% reduction in CO_2 emissions for new cars from 2035, which in effect bans the sale of conventionally powered cars from that point.

Greater adoption of EVs has also been promoted by governments as a way of reducing reliance on oil imports from Russia, which many Western governments consider desirable both as a short-term response to the invasion of Ukraine in February 2022 and as a longer-term strategic move.

Despite these government initiatives, adoption of EVs has been held back by the higher purchase cost and the availability of charging infrastructure.

ALL INVESTORS SHOULD JOIN SHARESOC

THE INVESTOR'S FRIEND

From a handful of founding members in 2011, the UK's premier membership organisation for individual investors has grown to over 9,000 members today.

During that time, it helped thousands of investors to improve their investing performance and became the accepted voice of the individual investor to government and regulators, as well as the financial press and media. ShareSoc's main mission is to ensure that all individual investors are treated fairly by the financial services market and to help defend their rights when potential injustices threaten their investments. But, in addition to lobbying / campaigning, ShareSoc also provides investing education through an online investor academy and a popular set of "Investing Basics" videos aimed at beginners. Investing can be a lonely endeavour and ShareSoc's SIGnet network, enables small groups of members to meet on a regular basis all over the UK to learn more about investing by sharing their knowledge and experience.

ShareSoc is a not-for-profit membership organisation dependent on member subscriptions for funding and continues to be run by a board of unpaid, elected directors all of whom are enthusiastic, experienced investors.

For a relatively modest organisation, ShareSoc punches above its weight and has already achieved success influencing government, regulators and listed companies to improve the way they and the markets treat individual investors. But there is much, much more to do and the more investors that join ShareSoc, the greater its influence and the faster it can improve everyone's investing experience.

ShareSoc is supported by a huge variety of members ranging from those who have decades of experience managing multi-million-pound portfolios to members just starting out on their investing journeys. It encourages anyone interested in investing to join, to learn, to support and to get involved. There are several member categories with the simplest being free and the most expensive costing just over £1 per week. Spotlight readers who join before the end of December can obtain a first-year discount of £15 off the Full Member subscription of £45/yr by entering the code SPOTLIGHTDEC23 on the **ShareSoc membership joining webpage**.

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Celebration cake maker Cake Box invests in digital transformation to drive sales

National celebration cake retailer Cake Box is the largest cake retailer in the UK and operates 214 stores nationwide.

Founded in 2008 at the height of the global financial crisis, Cake Box spotted a gap in the market for eggless celebration cakes. Fifteen years on the business has rapidly expanded from a single store in East London, to a national franchise chain of 214 stores and growing.

The success of the business was recognised in 2018 when Cake Box floated on the alternative investment market (AIM). The business is resilient and dynamic, reacting to unprecedented times during the pandemic and the economic challenges following the Ukrainian crisis.

'We were quick to adapt our business model and business operations during the pandemic, offering customers the chance to order online and collect in store. This was an enormous success for Cake Box, and we managed not only to survive the pandemic, but we also significantly grew sales,' says founder and CEO, Sukh Chamdal.

'Our value proposition is well placed to weather economic challenges, after all, the business was born in a recession.'

ATTRACTING AND RETAINING CUSTOMERS

The business model follows three simple rules; 'steady, sustainable, and sensible' says Chamdal.

Our strategy is focused on being best-in-class for celebration cakes and we are focused on growing our household penetration through attracting everyday birthday celebrations. Customer centricity and a strong value proposition allows us to effectively attract and retain customers.

As we invest in our online platform and performance marketing, we continue to attract new customers and grow sales. Online sales now account for 21% of our overall sales and this number is growing. Data and customer insight is central to our masterplan to optimise a multi-channel business model.

INVESTMENT OPPORTUNITY

The business has invested in strengthening its leadership, marketing, and operations teams, as well as enhancing its brand and customer acquisition. Since IPO, the business has invested £7.7 million in growing its distribution, production, and IT capabilities.

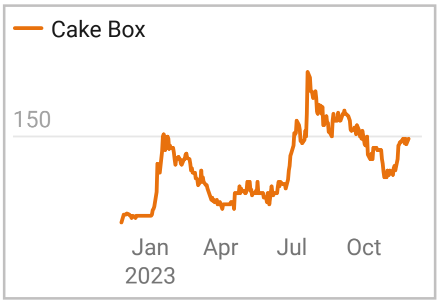
Store growth and franchise store sales have grown at a compound annual growth rate (CAGR) of 19% per annum and 22.7% per annum, respectively.

Since IPO, the business has returned £12.9 million to shareholders via dividends.

Cake Box remains an asset light, high margin, and cash generative business with big ambitions.

Cake Box looks to expand its reach to 400 stores throughout the UK and expects to reach retail sales of £100 million by 2026.

A focused strategy to drive household penetration and increase its slice of the cake market is underway and investment in technology, capability and marketing is already showing strong results.



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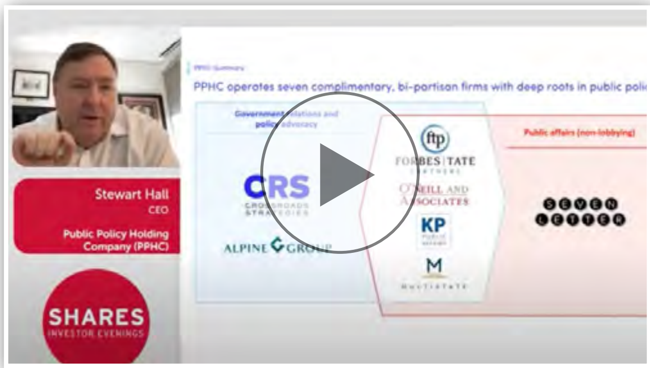
Atome Energy (ATOM)
Olivier Mussat, Chief Executive Officer

Atome Energy is the first and only green hydrogen, ammonia and fertiliser production company listed on the London Stock Exchange. CEO, Olivier Mussat tells us more about the company and it's plans for the future during our Shares Investor Evening on 27 September 2023.



Public Policy Holding Company (PPHC)
Stewart Hall, CEO, Roel Smits, CFO & Thomas Gensemer, CSO

Public Policy Holding Company Incorporated in 2014, PPHC is a US-based government relations and public affairs group providing clients with a fully integrated and comprehensive range of services including government and public relations, research and digital advocacy campaigns.

Reabold Resources (RBD)
Sachin Oza, Co Chief Executive & Stephen Williams, Co Chief Executive

Reabold Resources is an investment company in the natural resources sector. The principal activity of the company is an investment in pre-cash flow upstream oil and gas projects, primarily as significant minority interests in unlisted oil and gas companies or majority interests in unlisted oil and gas companies with non-operating positions on licenses.

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Best performing AIM shares in 2023

Company	Year-to-date performance (%)	Subsector
Plexus Holding	1180	Oil Equipment and Services
Empire Metals	394	Gold Mining
RTC	206	Business Training and Employment Agencies
Windar Photonics	137	Electronic Equipment – Gauges and Meters
Hotel Chocolat	136	Food Products
Mycelx Technologies	128	Waste and Disposal Services
Software Circle	126	Printing and Copying Services
Yu Group	120	Multi-Utilities
Celadon Pharmaceuticals	116	Cannabis Producers
Corcel	116	General Mining
OPG Power Ventures	116	Conventional Electricity
Kooth	114	Consumer Digital Services
Cornerstone Fs	104	Transaction Processing Services
Malvern International	100	Business Training and Employment Agencies
OptiBiotix Health	98.1	Biotechnology
Inspecs	97.7	Medical Supplies
Ilika	95.9	Electrical Components
STM	89.7	Asset Managers and Custodians
City Pub	88.3	Restaurants and Bars
Metals Exploration	87.8	General Mining

Table: Shares magazine. Source: Sharepad, data to 27 November 2023