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VOL 22 / ISSUE 214 / 09 APRIL 2020 / £4.49

SHARES

WE MAKE INVESTING EASIER

FINDING INCOME

in a sea of dividend cuts

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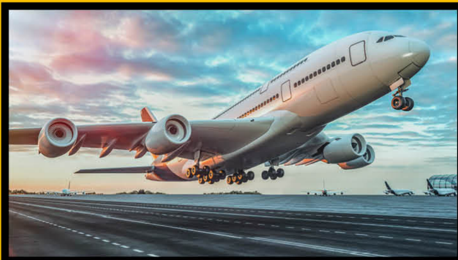

STOCKS STAGE MAJOR RALLY

Why parts of the market are recovering fast

Help the coronavirus fight now and profit later

Companies are being very generous in a bid to help society

Investors and the general public are going to view many companies in one of two ways once the coronavirus crisis has abated. They will either hold them in high esteem or view them with bitterness, with their opinion shaped by how companies behaved during the pandemic.

Companies are essentially earning a licence to make a profit once the crisis is over. To get one, they need to follow this playbook:

• **Management take a pay cut and/or give up their bonus**. It's no good furloughing staff on 80% pay if the directors are still taking home the big bucks. They should lead by example, as illustrated by directors at **ITV (ITV)**, **Associated British Foods (ABF)** and **Restaurant Group (RTN)**, among others. Management are also likely to own stock, so they'll share the pain with other shareholders if the company suspends dividends.

BT's (BT.A) chief executive Philip Jansen has gone one step further by committing to no job losses related to the coronavirus crisis for the foreseeable future. BT is also giving a pay rise to frontline workers and Jansen is donating his salary for at least the next six months to the NHS and to affected small businesses in his local community.

• **Give further support to staff and make the workplace safer**. Supermarkets have installed screens on tills to protect workers and **Morrisons (MRW)** is giving staff an extra bonus for coming into work and keeping its shops open. **Pets at Home (PETS)** has set up a £1m crisis fund for its staff and is one of one many retailers offering discounts to NHS workers.

• **Going above and beyond to help customers**. Supermarkets are the pioneers in this field, such as offering NHS workers an exclusive period to shop, as well as the likes of **Sainsbury's (SBRY)** ensuring that vulnerable and self-isolating individuals are given priority for online food delivery slots.

• **Re-engineer the business to support the fight against coronavirus.** Numerous companies including **Smiths (SMIN)** and **Rolls-Royce (RR.)** are using their skills and capacity to increase the UK's supply of ventilators. **Diageo (DGE)** is donating up to 2m litres of alcohol to help make more than 8m bottles of hand sanitiser. **Burberry (BRBY)** is retooling its trench coat factory in Yorkshire to make non-surgical gowns and masks for patients.

These acts of generosity can make a big difference in the fight against coronavirus on many levels. Any selfish measures by companies will therefore stand out and cause reputational damage that could be long lasting.

For example, few people will forget **Frasers' (FRAS)** price-ramping on home gym equipment in its Sports Direct stores, in an attempt to capitalise on the lockdown. **Wetherspoon's (JDW)** founder Tim Martin came under considerable criticism for telling staff they wouldn't be paid until the start of the Government's furloughing programme, since rectified.

A website has been set up to track heroes and villains in the corporate world during the coronavirus crisis, called didtheyhelp.com.

Positive efforts to help will not go unnoticed and it certainly doesn't feel as any of the aforementioned examples are doing it to get publicity. They are doing the right thing and that is a sign of a decent company, which matters to both consumers and investors.

By **Daniel Coatsworth** Editor

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FROM GENERATION FLARES TO GENERATION FLAT WHITE
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Market's attention turns to exit strategy

Equities rally on signs that infection rates may have peaked in parts of Europe

As we write the FTSE 100 has reclaimed the 5,700 mantle as it continues to bounce back from the damage wrought by the coronavirus crisis.

The key factor behind the rally appears to be some evidence that countries in Europe are beginning to 'flatten the curve' of infections and deaths.

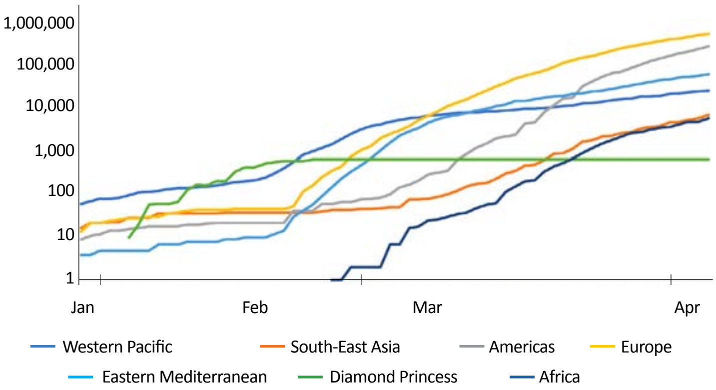
Often the stocks which led us into a bear market are the ones to lead us out – so it is notable that travel-related shares are in demand.

Also underpinning the rally are signs of life in various areas which tend to be good indicators on the health of the world economy. Transportation-related indices are beginning to recover, and commodity prices have stabilised, while junk bonds are also rallying.

Markets are inherently forward looking and attention is likely to turn to how countries can exit lockdown conditions and effectively take the global economy off pause mode.

As UBS chief investment officer Mark Haefele observes: 'We believe it is too early definitively to call a turn in the pandemic, and investors should continue to expect heightened volatility. However, the rebound offers a further reminder of the importance of staying invested.'

CUMULATIVE CASES BY REGION



Source: WHO Situation Reports; Shore Capital Markets

Travel stocks take off

Company	Performance since close on 23 March
Wizz Air	31.6%
International Consolidated Airlines	27.3%
InterContinental Hotels	27.3%
EasyJet	26.9%
Ryanair	23.7%
TUI	23.2%
Carnival	8.1%

Source: SharePad. Data to 7 April 2020

Some encouragement may be taken from China which on 7 April reported no deaths for the first time since it started publishing daily figures in January.

While there are some question marks about the veracity of the Chinese data the trend still looks positive despite lockdown conditions being eased (but not removed entirely).

The incubation period of the virus means it may be at least another week before we can judge if the cautious exit strategy is being delivered without a significant second wave of cases.

In Europe determining the exact trend of the outbreak is also tricky given reporting lags but social distancing does appear to be having an effect.

Shore Capital analyst Adam Barker notes the situation is currently different in the US. He says: 'The most recent situation reports from the WHO (World Health Organisation) continue to show that the USA is becoming an increasingly important driver of new case growth, as the available evidence continues to suggest that new cases are falling in Europe.

'The USA's case burden is now twice that of any other country and given its mortality chart we expect a tough week for the country where hospitals will come under severe pressure.'

£1.6bn fundraising frenzy: companies tap markets to ensure their survival

Cash calls pick up pace amid coronavirus-driven economic deep freeze

Against a backcloth of unprecedented dividend and buyback suspensions and director pay cuts, an increasing number of companies are raising money as the global lockdown squeezes finances.

Since the start of March, companies spanning an array of sectors have tapped markets for more than £1.6bn of extra cash to see them through the COVID-19-induced economic ice age, according to analysis by *Shares*.

Books, snacks and stationery retailer **WH Smith (SMWH)** secured new lending facilities and raised £165.9m of fresh funds to strengthen its balance sheet to see it through the coronavirus crisis and ensure it is still around to capitalise on the eventual recovery of the global travel market.

This followed fundraising updates from the likes of cruise operator **Carnival (CCL)**, one of the stock market's major virus outbreak casualties, which raised $500m of equity at a mere $8 a share as part of a $6.25bn rescue fundraising.

Transport hub food and drink seller **SSP (SSPG)** raked in £216m of new money to shore up its finances, and has also drawn down funding under the UK Government's Covid Corporate Financing Facility (CCFF), to provide enough liquidity for the company to continue operating even under management's most pessimistic scenario.

Elsewhere, heavyweight recruiter **Hays (HAS)** has not only scrapped its interim dividend, but also tapped investors for £200m to help it fend off the coronavirus following 'a very material deceleration in client and candidate activity' in March.

Automotive portal play **Auto Trader (AUTO)** raked in £186m from institutional investors. It plans to use the placing proceeds to bolster the balance sheet and liquidity position, support all stakeholders and increase certainty around meeting banking covenant tests in future years.

Examples of companies raising cash in March and April by issuing new shares

Company	Issue price	Cash raised
Carnival	$8	$500m
SSP	250p	£216m
Hays	95p	£200m
WH Smith	£10.50	£169.5m
Auto Trader	400p	£186m
Aquila Euro Renewables	€ 1.05	€40m
Hotel Chocolat	225p	£22m

Source: Shares, Company announcements

Furthermore, this equity raise will allow Auto Trader to strengthen the business in the aftermath of the crisis and 'resume its existing capital return policy at the earliest prudent opportunity'.

Retail has been hit hard by the dreaded virus and **Joules (JOUL:AIM)** reacted swiftly by pulling in £15m of funding to provide the premium lifestyle brand with 'sufficient liquidity headroom in a COVID-19-related downside scenario'.

Other examples include **Hotel Chocolat (HOTC:AIM)** which has secured £22m for additional financial headroom and to underpin ambitious growth plans; and doctors' surgery property investor **Assura (AGR)** which raised £185m to keep it on track to deliver more healthcare centres.

Trading platforms see surge in demand amid market volatility

CMC Markets is expected to pay generous dividends as a result of a surge in business

Market volatility is rarely good news for investors but it has been a significant positive for trading platforms as the latest updates from **Plus500 (PLUS)** and **CMC Markets (CMCX)** demonstrate.

Big swings in markets create more opportunities to make short-term profit even if this comes with significantly elevated levels of risk.

At a time when many businesses are cutting dividends Shore Capital has nearly doubled its dividend per share forecast for CMC from 8p to 15p for the financial year ending 31 March 2020.

Trading revenue is expected to have doubled year-on-year with new clients joining and existing clients reactivating accounts.

Plus500 Q1 revenue up nearly 500%

Plus500's own first quarter release on 7 April was perhaps even more eye-catching with revenue up 487% to $316.6m or in other words 89% of the revenue it generated in the whole of 2019.

The number of active customers has doubled to more than 180,000. Crucially the rate of customer wins has significantly outpaced marketing spend over the period.

The strong operational performance has been reflected in CMC's and Plus500's share price rallies. Both stocks are firmly higher year-to-date against a weak market backdrop.

The challenge for these businesses will be to hold on to clients when things calm down, and there is evidence this is already beginning to happen. The VIX index, which measures volatility, is at just over half the levels it was in mid-March.

UK Treasury reported to be considering strategic companies bailout

Vital funds would be injected in return for equity stakes if the money wasn't repaid within six months

HAVING ALREADY COMMITTED to £330bn of funding, equivalent to 2.3% of GDP, to help businesses get through the current coronavirus lockdown, the UK Treasury may be making contingency plans to inject vital funds in companies most threatened by the crisis, according to *The Telegraph*.

The focus would be on ailing but strategically significant sectors of the economy such as airlines with grounded fleets and specialist manufacturers struggling from supply chain delays.

It would be the first time that emergency measures have been used since the global financial crisis in 2008 where banks were recapitalised.

The idea of using taxpayers' money to get funds to the so-called 'stranded middle' of UK firms was raised last week by the CBI's chief economist, Rain Newton-Smith.

The plan would involve providing short-term convertible loans, which convert into equity if they are not repaid within six months. The Treasury may enforce dividend freezes like it did in the banking bailout until taxpayers earn their money back.

UK industrials 'unlikely' to breach debt covenants

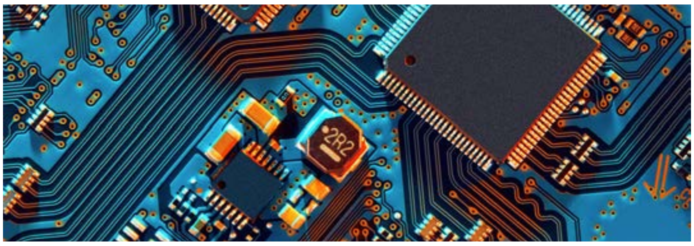
Government support and flexible banks should help firms navigate the slump

Banking covenants across the hard hit engineering and industrials sectors are unlikely to be breached, according to analysis by investment bank Berenberg, even for the most levered businesses.

'We believe these companies are very well placed,' it says, referring to the likes of FTSE 100 firm **Halma (HLMA)**, plus FTSE 250 members **Electrocomponents (ECM)**, **Spectris (SXS)** and **Vesuvius (VSVS)**.

Berenberg believes that supportive government initiatives and more flexibility shown by lenders will help companies navigate the current economic slump.

'Many of the companies in the UK industrial sector are market leaders and critical to global supply chains,' says Berenberg. While this does not mean companies are too big, or too important, to fail it believe customers and suppliers are likely to work hard to support one another in these times.

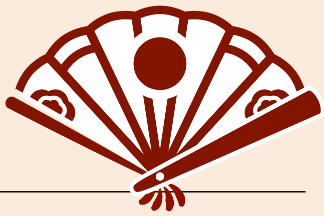


Its analysis suggests most UK industrial companies have relatively low levels of debt. Only industrial furnace equipment manufacturer **RHI Magnesita (RHIM)** is expected to have borrowings more than twice earnings before interest, tax, depreciation and amortisation by the end of 2020.

Even then, there remains scope to cuts costs, delay discretionary investment, reduce stock levels and extend payment terms.

Lindsell Train's Japanese fund soars ahead

Strong cash generation sees its fund recoup some of February's losses



Michael Lindsell, manager of the £455m **Lindsell Train Japanese Equity Fund (0438418)**, described his reaction at the outperformance of the fund last month as 'flabbergasted'.

The fund rallied 5.9% in yen terms in March while the benchmark Topix index fell 6%, opening up a 12% performance gap.

After a disappointing performance in February, when the fund dropped 12.3% against a 10.3% fall in the Topix and every single holding lost value, March saw a dramatic turnaround.

As fears over an economic slowdown turned to fears over corporate balance sheets, the strong cash generation of Lindsell's holdings came to the fore. He highlights the performance of stocks such as Kao Corp, Ito En, Taisho Pharmaceutical and Yakult.

'All sell everyday goods whether food and snacks, household and personal care products or drinks and consumer healthcare products such as tonic drinks and remedies,' he adds.

Spending on small ticket items has remained steady during the crisis while spending on big ticket items has cratered.

The strong performance in Japan helped bolster the much larger **Lindsell Train Global Equity Fund (B644PG0)**, which according to Morningstar was only down 3.3% last month compared with an average fall of 10.2% for the Investment Association's global sector.

Scottish Investment Trust denies 'style drift'

The value investor insists radical portfolio change was still aligned to its contrarian approach

Alasdair McKinnon, fund manager of **Scottish Investment Trust (SCIN)**, has denied that he has succumbed to 'style drift' after radically overhauling his portfolio, insisting the changes were in line with his contrarian stance.

In last week's *Shares* we suggested that the value investor had changed his process by buying expensive defensive stocks amid the market sell-off. Style drift is typically frowned upon in fund management as portfolio managers should arguably stick to their same approach in good and bad times.

McKinnon says he was concerned in January about what might happen if China's coronavirus-related problems spread to Europe and North America. Despite markets continuing to rally in early February, he sold down retailers and banks for fear that a lockdown would have a considerable negative economic impact and leave companies with little or no income for months, thereby putting a strain on their finances.

He increased the portfolio's holdings in gold miners and also added utility companies and healthcare stocks. 'We normally turn over 20% of the portfolio a year; we did roughly the same amount in a couple of weeks in February. The contrarian thing at the time was to protect capital, which is what we've tried to do,' says McKinnon.

The fund manager admits that a lot of money could be made from buying some of the most sold-down stocks such as cruise operators, if you take the view that life will soon return to normal. 'The only problem is that we don't know if they will be able to survive between now and when a proper recovery rally happens. The liquidity clock is ticking.'

McKinnon says he wouldn't consider buying out of favour stocks for Scottish Investment Trust again until there is evidence that coronavirus deaths have peaked and companies are able to quantify the impact of the pandemic on their earnings.

Times are hard for value fund managers

Invesco star manager Mark Barnett sacked from investment trust Perpetual Income and Growth

Fund manager Mark Barnett has been removed from investment trust **Perpetual Income and Growth (PLI)**. His strategy, picking under-priced stocks seemingly trading at less than their intrinsic value, has been out of favour for years, and the board at PLI cited prolonged underperformance in their decision to sack Barnett and his employer, Invesco.

It comes after issues for fellow value investor Alastair Mundy at **Temple Bar (TMPL)**, who was forced by the board to sell some stocks to raise cash and reduce borrowing after the trust's share price halved.

Where Perpetual Income and Growth goes from here in seeking a new manager could signal where value investing is headed, and is likely to go one of two ways.

It could stick with value like **Edinburgh Investment Trust (EDIN)**, which replaced Barnett last December with Majedie's James de Uphaugh, another well-known value investor.

The other option would be to mirror **Baillie Gifford European Growth (BGEU)**, which lost patience last October under the previous name of European Investment Trust following a decade of underperformance and sacked value-orientated fund manager Edinburgh Partners, shifting instead to growth investing.

Why Microsoft could thrive despite coronavirus crisis

Big demand for Office, cloud computing and other IT services looks likely

There are unlikely to be many stock market winners from the fallout of the coronavirus pandemic, but one of them could well be a company which was right in front of us all along.

The biggest and possibly most well-known technology company in the world, Microsoft seems as well-placed as any business out there to carry on growing when others are being hit by a global economy in hibernation.

The company's sources of income can be split into as many as nine categories, with roughly three overarching segments, Productivity and Business Processes (Microsoft Office, Dynamics, LinkedIn), Personal Computing (Windows, Xbox) and Intelligent Cloud (Azure, SQL).

Some of these divisions could be affected by big increases in unemployment, which are already becoming visible particularly in the US, with potentially lower Microsoft Office subscriptions (which have been growing strongly), less PC sales and reduced advertising spend on LinkedIn for example.

But several of the world's largest companies have increasingly ordered their office staff to work from home, with institutions like the Chartered Management Institute saying it may 'change the workplace forever'. Significant increases in major companies telling staff

MICROSOFT
BUY
(MSFT:NDQ) $165

Market cap: $1.26trn

to work from home will require equally significant investment in exactly the solutions that Microsoft provides.

FORTRESS-LIKE BALANCE SHEET

This seems to be reflected in the company's stock price, up 3% year-to-date, and is certainly the view of credit ratings agency Fitch, which gives Microsoft's short-term credit score at 'F1+', the highest rating possible, and long-term score at 'AA+', the second highest long-term rating.

Microsoft does have $70bn in debt, but Fitch points out this is easily manageable thanks to its $134bn in readily available cash and annual free cash flow of $25bn.

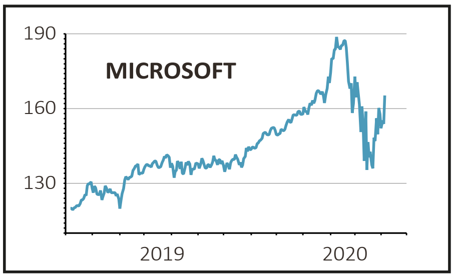
While going forward the ratings agency highlights cloud computing, its fastest growing and second biggest profit contributor at $16.1bn of its $49.3bn total operating profit in 2019, as the area of most promise for Microsoft.

The coronavirus pandemic looks set to leave forecasts for cloud computing unchanged, as a postponement of key IT projects from some business companies is expected to be offset by other businesses ramping up cloud computing and other IT solutions as they accelerate their 'digital transformation'.

According to a paper by Verified Market Research, global cloud computing was valued at $258.4bn in 2018 and is projected to reach $930.6bn by 2026, a compound annual growth rate of 17.28%.

The company's shares are still trading at a price-to-earnings multiple of 26 times, which means its share price will take a hit if the company falls below the market's expectations.

But the company has a robust balance sheet, resilient near-term cash flows and a long-term growth trajectory that remains more or less unchanged.



By **Yoosof Farah**
Reporter

Buy Civitas for resilient income credentials

Provider of accommodation to people with learning disabilities looks well positioned

Social housing fund **Civitas Social Housing (CSH)** has a stable income stream which should underpin its dividend-paying capability through the current uncertainty.

As such we think the real estate investment trust could be an attractive option amid a wave of dividend cuts from UK-listed companies.

Civitas provides specialist accommodation to people with learning disabilities, autism, and mental health disorders which has been adapted to their requirements. Typically its tenants have full life expectancies and they do not have heightened vulnerability to the coronavirus.

Rents are paid by local authorities using money they get from central government. Properties are signed on leases of over 20 years which are wholly funded by the local housing authority and supported by government policy.

Rental income rises in line with inflation for the most part and demand is outpacing supply. Despite the pressure on public finances from the measures taken to mitigate against economic uncertainty, it seems unlikely this provision would be a target for cuts.

After a strong start in the wake of a November 2016 IPO the shares stalled as Civitas was caught up in concerns about financial issues at of some of the housing associations to which it and similar vehicles rent homes.

The company also struggled to deploy capital quickly enough to ensure its dividend payments would be 100% covered by earnings.

The company announced on 19 March that it had hit this threshold. This accompanied news it had completed the purchase of five freehold properties, encompassing 63 tenancies, for a total consideration of £17.8m.

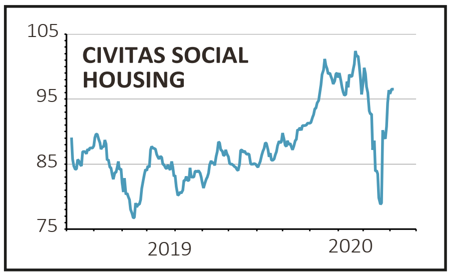
The company's gross loan-to-value is 28% against a targeted average level of 35% and a cap of 40%. More than £212m worth of its properties are unencumbered by debt.

Despite a relatively strong performance for the shares in the context of the carnage seen in wider equity markets, it still trades at an enticing 9.2% discount to net asset value and offers a dividend yield of 5.5%.

The company plans to pay its next quarterly dividend in May as usual and this resolve is backed by a cash reserve of between £25m and £30m.

Director Andrew Dawber tells *Shares* the company has plans to work with the NHS to provide new forms of accommodation for those who cannot be sent home after hospital treatment, potentially freeing up expensive and in-demand beds on hospital wards.

He notes the coronavirus outbreak has demonstrated how the NHS has too little 'redundancy' in terms of its capacity to cope with future health crises.



By **Tom Sieber**
Deputy Editor

FUNDSMITH EQUITY
(B41YBW7) 416p

Gain to date: 1.2%
Original entry point:
Buy at 411p, 26 March 2020

HOLDERS OF **Fundsmith Equity (B41YBW7)** had the opportunity to digest the thoughts of manager Terry Smith on the recent market volatility as he put out his latest letter to investors.

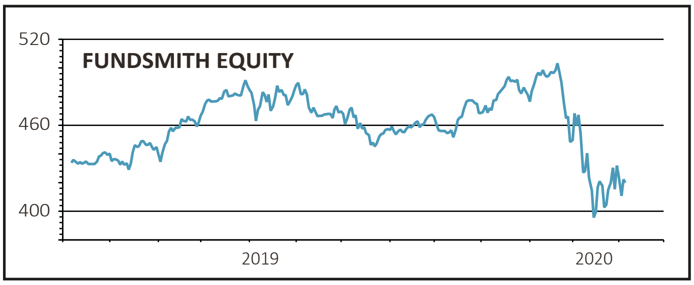
The first quarter performance of the fund for 2020 shows it outperformed the MSCI World index by nearly 8% even if it fell 7.9% in absolute terms.

Smith notes that its investments in airline reservations business Amadeus and **InterContinental Hotels (IHG)** have been most in the firing line.

He says they have been securing liquidity to ensure they can 'hold their breath for 18 months or so' with no revenue and even if 'equity in both is vaporised' the fund would only lose about 5% of its current portfolio.

'Whilst we have various stocks exposed to knock-on effects in travel retail, for example in cosmetics and drinks, and supply chain issues in other portfolio companies, if we were forced to guess we think about a third of the portfolio will endure this year with increased revenues – Microsoft, the payment processors, Clorox, and **Reckitt Benckiser (RB.)**, for example.'

Two new holdings have been added to the portfolio which in Smith's words 'have been hard hit in this market because of China exposure and a classic "glitch"', albeit their identities have yet to be disclosed.



SHARES SAYS:
Keep buying this quality fund.

FINDING INCOME

We reveal the companies that have cut dividends and suggest four ways to keep earning an income

By **James Crux** and **Steven Frazer**

This year has seen 233 London-listed companies either cancel, cut or suspend their dividends, principally because of the coronavirus crisis. This is terrible news for anyone who relies on their investments for income.

In many instances, even previously-declared dividends are not going to be paid, a terrifying trend only seen during times of massive distress that has returned as fiscal prudence becomes the order of the day.

Investment bank Liberum forecasts that UK dividends – if they are paid at all – will only grow by 1.3% over the next 12 months, versus a 6.7% historic average for the FTSE All-Share. The outlook is even worse in Europe, where it expects dividends to drop by 7% compared to a historic average growth rate of 5.3%.

In this article we reveal the companies which aren't going to be paying dividends soon, and why investors should really support these decisions despite losing out on a valuable income stream temporarily.

We also look at where you might be able to find more reliable dividends in the near-term.

WHY HAVE DIVIDENDS BEEN CUT?

Global lockdown has put the economy into an induced coma. Factories are closed, shops are shut, consumers are trapped indoors and businesses are running at reduced capacity, and so companies desperately need to preserve cash to see them through the crisis.

In particular, with earnings set to plunge, indebted firms must preserve cash to avoid breaching their banking covenants.

Paying dividends now would send the wrong message if companies are looking to use the Government's furlough scheme or defer other payments such as rent.

Many share prices have rallied on news of a dividend cut. Savvy shareholders understand that profit forecasts are likely to be wrong and are looking instead for guidance on the financial resources available to a firm, its banking covenants and what levers management can pull to help come through the crisis and be ready for the eventual upturn.

If a dividend cut is part of the near-term price that must be paid to ensure a firm's long-term survival or avoid a major rights issue or debt-for-equity swap, investors will accept it.

In the case of companies that had been overly-generous with dividends, perhaps to curry favour with income-hungry investors, some may be using the anticipated downturn as an opportunity to reset payout expectations. This would help them better balance the need for investment in the business, the desire to pay down debt and the requirements of pension funds with shareholder demands.

Across the board, businesses are tightening the management of cash flows, reducing discretionary spending, shelving capital projects, freezing recruitment and cutting non-essential marketing spend.

WHICH COMPANIES HAVE BEEN CUTTING?

Companies that have cut or postponed dividends in recent weeks include property giant **British Land (BLND)**, Premier Inn owner **Whitbread (WTB)** and housebuilders **Barratt Developments (BDEV)**, **Persimmon (PSN)** and **Taylor Wimpey (TW.)**.

Historically, banking stocks have been key holdings for investors looking to generate income, but following a letter from the Prudential Regulatory Authority (PRA), the Bank of England's regulatory body, the UK's biggest banks have agreed not to pay any dividends this year and to suspend their share buyback programmes.

The move by the PRA followed guidance from the European Central Bank (ECB) that the continent's banks should hold off from paying dividends until October at the earliest.

Barclays (BARC), **HSBC (HSBA)**, **Lloyds (LLOY)**, **Royal Bank of Scotland (RBS)** and **Standard Chartered (STAN)** were expected to pay a total of £15.6bn to shareholders in the form of ordinary and special dividends for 2019.

Yet having injected billions of pounds of liquidity into the banking system to help the banks to support the economy, the last thing the regulator wanted was banks using those funds to pay dividends to shareholders or engage in buybacks.

This now means £7.5bn of 2019 dividends are no longer going to be paid out and another £7bn of 2020 dividends, or half of the total pencilled in for this financial year, will also likely be withheld.

The positive news is that banks are much better capitalised and have much better balance sheets than in the global financial crisis. And by holding onto their 2019 and 2020 dividends, there is also less risk that they will need to come to the market to raise capital in order to offset asset write-downs and bad loans.

THREE POINTS TO CONSIDER

Chris Cummings, chief executive of the Investment Association, sees three key points in addressing the current dividend challenge. 'First, we expect boards to be taking decisions on their

dividends based on what is best for their business over the long term; they will have to decide if any dividend payment is sustainable in light of the current market conditions and business needs.'

Secondly, Cummings says investment managers would 'certainly expect companies to follow the guidance of their regulator and have been supportive of companies that have stopped their dividend to retain much needed cash for the business so far'.

And thirdly, he stresses that 'importantly, we should not lose sight of the crucial role of dividends for the wider economy, and the current situation should not be used as an opportunity to rebase or reduce the dividend unnecessarily. Shareholders would expect companies to restart them as soon as it is prudent to do so.'

ASKING SHAREHOLDERS FOR MORE CASH

In these unprecedented times, companies are also going cap in hand to ask shareholders for more money rather than doling out cash via dividends.

For example, cruise operator **Carnival (CCL)**, among the hardest hit by coronavirus, has announced an $8 per share equity raise as part of a $6.25bn rescue fundraising package. Transport hub food and drink seller **SSP (SSPG)** has raised new money to shore up its finances, as has automotive portal operator **Auto Trader (AUTO)**, among many others.

Share buybacks have also fallen by the wayside. Companies ranging from educational publisher **Pearson (PSON)** to insurer **Direct Line (DLG)** have put their buyback programmes on hold. This makes perfect sense in the near term as it is a quick and easy way to preserve cash, and it is vital to give companies some breathing space as this could help save jobs.

It does also question the long-term value of buyback schemes as it could be argued that boardrooms have fallen into the trap of buying near the top of the market.

WHO HASN'T CUT DIVIDENDS?

Oil producer **Royal Dutch Shell (RDSB)** seems determined that it will keep paying dividends, in spite of the recent oil price collapse.

Its latest trading statement (31 March) provided updates on production volumes, capacity utilisation rates and an analysis of how sensitive cash flow from operations is to movements in the oil price – but no mention of the quarterly $0.47-a-share dividend. Instead, Shell simply highlighted its vast credit facilities, supplementing a $20bn cash pile and additional capacity to raise short-term debt, which seemed to indicate that the dividend is not under discussion.

Technology group **Computacenter (CCC)** on 12 March said it would pay a dividend in June. A week later power company **ContourGlobal (GLO)** also said it would keep paying dividends.

Heavyweight companies that are likely to give investors a steer on future dividends over the coming few weeks include **AstraZeneca (AZN)** and **UDG (UDG)** in healthcare, **Halma (HLMA)** and **Electrocomponents (ECM)** in the industrials space, and **AVEVA (AVV)**, **BT (BT.A)** and **Vodafone (VOD)** from technology and telecoms sectors.

EXAMPLES OF DIVIDENDS THAT ARE STILL GOING AHEAD

Advanced Medical Systems	Moneysupermarket.com
Assura	MP Evans
Berkeley Group	MTI Wireless Edge
Bioventix	PCF Group
CCH	Phoenix Spree Deutschland
Chesnara	Plus500
CMC Markets	Primary Health Properties
Computacenter	Regional REIT
ContourGlobal	Residential Secure Income
Duke Royalty	Sabre Insurance
Ediston Property	Safestore
EKF Diagnostics	Secure Income REIT
GCP Student Living	SEGRO
Gresham Technology	SSE
Hilton Food	Supermarket Income REIT
Ideagen	Sureserve
Legal & General	Tesco
LondonMetric Properties	Vivo Energy
LXI REIT	
M Winkworth	
Mattioli Woods	

Source: AJ Bell, Shares. Data to 8 April 2020

COMPANIES THAT HAVE EITHER CUT, CANCELLED OR POSTPONED DIVIDENDS THIS YEAR

1pm
4imprint
AA
Abbey
AdEPT Technology
Adnams
AG Barr
Aggreko
Alliance Pharma
Alpha FX
Alumasc
Amedeo Air Four Plus
Amino Technologies
Anexo
Animalcare
Applegreen
Appreciate
Aquila Services
Arbuthnot Banking
Arrow Global
ASA International
Ascential
Avation
Aviva
BAE Systems
Bakkavor
Balfour Beatty
Barclays
Barratt Developments
Bellway
Belvoir
Biffa
Bonhill
British Land
Bunzl
Burford Capital
Cairn Homes
Caledonia Mining
Cambria Autos
Camellia
Card Factory
Caribbean Investments
Cello Health
Central Asia Metals
Centaur Media
Centrica
Churchill China
Cineworld
Clarkson
Close Brothers
Coats
Colefax
Costain
Crest Nicholson
Dalata Hotels
DFS Furniture
Dignity
Direct Line
Domino's Pizza
DP Group
DS Smith
Dunelm
Elecosoft
Elementis
Empiric Student Properties
Epwin
Essentra
FDM Group
FIH
Filta
FinnCap
Finsbury Foods
Flowtech Fluidpower
Forterra
Fuller Smith & Turner
Galliford Try
Gately
Glencore
Go-Ahead
Grafton
Greencore
GVC
Gym Group
H & T
Halfords
Hammerson
Hammerson
Hargreaves Services
Hays
Headlam
Hill & Smith
Hiscox
Hollywood Bowl
Hostelworld
Hotel Chocolat
Howden Joinery
HSBC
Hunting
Hydrogen
Hyve
Ibstock
IMI
Ince
Inchcape
Inland Homes
InterContinental Hotels
International Consolidated Airlines
International Personal Finance
INTU
ITV
IWG
James Cropper
James Fisher
James Halstead
JD Wetherspoon
John Menzies
Johnson Service
K3 BusinessTech
Keystone Law
Kin & Carta
Kingfisher
Land Securities
Learning Technologies
Lloyds
Lookers
LSL Property Services
M&C Saatchi
Macfarlane
Marks & Spencer
Marshall Motors
Marshalls
Marston's
McBride
McCarthy & Stone
McColl's Retail
Mears
Medica
Meggitt
Melrose Industries
Michelmersh Brick
MicroFocus
Mission
Mitie
MJ Gleeson
Morgan Advanced Materials
Morgan Sindall
Morses Club
Mortgage Advice Bureau
Mpac
N Brown
NewRiver Reit
Next Fifteen
Nichols
Non-Standard Finance
Norish
Nucleus Financial
Ocean Wilsons
OneSavings Bank
On The Beach
Oxford Instruments
Palace Capital
Page Group
Persimmon
Petrofac
Photo-Me International
Playtech
Polypipe
Portmieirion
PPHE Hotel
Provident Financial
PRS REIT
QinetiQ
Quixant
RBG
Reach
Redrow
Renew Holdings
Renishaw
Rentokil
Restaurant Group
RHI Magnesita
Rightmove
RM Group
Robert Walters
Robinson
Rolls-Royce
Rotork
Royal Bank of Scotland
Royal Mail
RPS
RSA
Saga
Savills
ScS
Secure Trust Bank
Senior
Shaftesbury
Shoe Zone
SIG
Signature Aviation
Smiths Group
Softcat
Somero Enterprises
Spectris
Springfield Properties
SSP Group
St Modwen Properties
Stagecoach
Standard Chartered
SThree
STV
Synectics
Taylor Wimpey
The Works
Topps Tiles
Tracsis
Travis Perkins
Tribal
TT Electronics
Tyman
ULS Technology
Unite
Van Elle
Vertu Motors
Vesuvius
Vianet
Vistry
Vitec
Volution
Walker Greenbank
Watkin Jones
Weir
Whitbread
William Hill
Wilmington
Wood Group
WPP
XP Power
Young's
Yu Group
Zotefoams

Source: AJ Bell, Shares. Data to 8 April 2020

Then there are several eagerly awaited announcements to come from traditional income bellwethers such as **United Utilities (UU.)** as well as **Compass (CPG)** and **Experian (EXPN)** elsewhere.

Dividend confirmation from many of these companies will have the obvious effect of providing much-needed security and certainty for income investors, thereby putting them in favour with the market.

It might even see investors happy to pay a higher earnings multiple to own a stock if there is certainty over the income stream. However, investors must remember that dividends are never guaranteed and can be cancelled or cut at the company's discretion.

SUPERFICIALLY ATTRACTIVE

At 5.9%, the FTSE All-Share's trailing dividend yield has only been higher in mid-1940 during the battle of Dunkirk, according to investment bank Morgan Stanley, and again during the period between 1974 and 1976. That latter period was in the aftermath of the 1974 UK recession, which ultimately saw the UK needing an IMF bailout to dig itself out of its economic hole.

Looking back, such levels have historically represented good entry points, said Morgan Stanley.

But while the income case at the aggregate market level looks attractive, there are sizeable risks to single stock positions given the increasing number of companies cutting dividends meaningfully as free cash flow dries up and more companies enter cash preservation mode.

The average stock in the MSCI UK index currently yields 5.2%, according to Morgan Stanley, which compares to a long-run median value of 3.4%.

Simplistically, this may appear to be historically attractive to optimists, or could possibly point to cuts of 35% or so to future dividends as already being priced in by the market.

Analysts at Peel Hunt estimate that the total amount of cancelled dividends now tallies at more than £15.5bn.

POTENTIAL DIVIDEND CUTTERS

Morgan Stanley flags multiple UK and European stocks supposedly attractive to income seekers where future dividends are still at serious risk, thanks to high ratios among net debt-to-EBITDA, net debt-to-equity, short-term debt-to-total debt and low interest cover.

The list of stocks where dividends look to be at risk includes engineering firm **Weir (WEIR)**, mobile network operator Vodafone, chemicals company **Johnson Matthey (JMAT)** and utility stocks **SSE (SSE)** and **Severn Trent (SVT)**.

According to Peel Hunt, only around 40 companies out of the FTSE 350 and AIM 100 have committed to pay dividends currently, worth about £8.5bn of income. Utilities, oil and gas and healthcare companies are leading the way, while transport, media, travel and leisure and financial stocks are largely absent from this list.

There are around another 100 companies that have announced dividends, but have not yet confirmed they will still go ahead with the estimated £13.6bn of payments, says the broker. Inevitably there will be further cancellations.

FOUR STOCKS TO OWN FOR INCOME

While there are no guarantees that the following stocks will pay dividends as forecast by analysts, they have the right qualities for investors to be confident about the income stream.

NATIONAL GRID (NG.) 854.2P

Millions of Brits may be stuck at home in lockdown but we all need power to run our TVs, smartphones and to keep the lights on. These 'defensive' qualities make electricity network utility **National Grid (NG.)** a reliable cash generator that should keep dividends on the up and up, as well as a neat play on the thematic switch towards a lower-carbon energy grid.

The company last week said it expected underlying earnings for the year to 31 March 2020 to match guidance provided in November, demonstrating resilience even in the face of the unprecedented coronavirus threat. That implies a dividend of 48.75p, according to Refinitiv consensus, rising to 50.1p this financial year, implying a 5.9% income yield.

The company still faces a US enquiry over service reliability, although management have firmly defended their record, while Artemis's highly-rated fund manager Simon Edelsten remains a fan and shareholder through his **Mid Wynd (MWY)** investment trust.

BRITISH AMERICAN TOBACCO (BATS) £29.79

This tobacco titan is the name behind brands including Dunhill, Pall Mall, Kent and Lucky Strike and is trading on a 7.5% prospective yield.

Admittedly, it carries a high net debt load, while the defensive attractions of the tobacco sector, long prized for its earnings resilience, have lessened amid increasing political and regulatory concerns, lately over vaping.

Nevertheless, at the time of writing, British American Tobacco is yet to see a material impact from the COVID-19 pandemic.

It also hasn't joined the ranks of companies cutting or shelving their shareholder rewards, having declared a 3.6% hike in the 2019 dividend to 210.4p.

The company is drawing confidence from its enviable cash generation – which underpinned a recent $2.4bn bond issue – as well as its diversity by geographic end market. This should help to smooth earnings and cash flows as some countries emerge from lockdown as others enter quarantine.

Interestingly, British American Tobacco is also playing a part in the fight against coronavirus. Its Kentucky-based biotech unit is working on a potential vaccine for COVID-19 using proteins extracted from tobacco leaves.

HENDERSON FAR EAST INCOME (HFEL) 282.85P

Managed by Janus Henderson Investors' experienced Mike Kerley, **Henderson Far East Income (HFEL)** seeks to provide a total growing annual dividend as well as capital appreciation from a diversified portfolio of 49 Asia Pacific investments. It currently offers an attractive 8% yield.

Kerley believes Asia will stand out as a relative beacon of stability for income investors given the large amounts of cash on balance sheets and the region's lower dividend payout ratios.

In the UK, banks have been told not to pay dividends through the crisis. For Henderson Far East Income, the only foreign banks left in its portfolio are Macquarie, primarily an investment bank, wealth manager and infrastructure investor, and two Chinese names.

'Banks in China are over 50% owned by the Ministry of Finance and have payout ratios of only 30%,' explains Kerley, also invested in Samsung Electronics and China Yangtze Power, among others.

BBGI (BBGI) 168.45P

Yield-starved investors seeking predictable returns in unpredictable times should happily pay up to access the reliable income on offer from global infrastructure trust **BBGI (BBGI)**.

The fund trades on a 23% premium to net asset value (NAV). That's the price investors have to pay to access defensive attributes and dependable cash flows.

Experts at Winterflood argue the trust is in a strong position among its peer group to weather the COVID-19 pandemic.

Diversified by geography, the fund derives the entirety of its cash flows from government-backed 'availability-based' projects. Think roads – which the managers argue are simpler to manage than other social infrastructure assets – bridges, schools, hospitals and justice facilities.

These are infrastructure assets that citizens rely on day in, day out, to keep local economies moving.

Despite the current global shutdown, BBGI's assets are 100% operational and should prove reliable in the looming international economic downturn. Put simply, BBGI would suit investors seeking dependable income but with very low risk.

Based on increased dividend targets of 7.18p and 7.33p for 2020 and 2021 respectively, BBGI offers an attractive, cash-backed yield comfortably north of 4% even after a recent spike in the share price.

Insightful commentary on market issues

RUSS MOULD
AJ Bell Investment Director

Insurers start to follow banks with dividend cuts

The sector is under pressure from the regulator over paying cash to shareholders

At the time of writing more than a quarter of the FTSE 100 index has elected to defer, cancel or cut their final dividends for 2019 or interim dividends for their next fiscal year.

Perhaps the biggest blow to income seekers has come from the banking sector, where the Prudential Regulatory Authority made it clear that neither dividend payments nor buybacks from **Barclays (BARC)**, **HSBC (HSBA)**, **Lloyds (LLOY)**, **Royal Bank of Scotland (RBS)** and **Standard Chartered (STAN)** would be seen in a good light.

That cancelled £7.5bn of dividend payments for 2019 and put on ice forecasts of £15bn in further distributions for 2020. These are significant numbers when investors consider that at the start of March (before the coronavirus outbreak really began to hit home) the analysts' consensus for aggregate dividend payments from the FTSE 100 in 2019 was £89.5bn (and £93.5bn including special dividends). Analysts had pencilled in £91.5bn for 2020, before any one-off distributions.

FTSE 100 INSURERS WERE FORECAST TO PAY £2.9BN IN DIVIDENDS

	H1 2019	Q4 / H2 2019		Full-year		
	Already paid (£ m)	To be paid (p/share)	To be paid (£ m)	Total dividend (£ m)	Payment date	Current status
Admiral	185	77.00	226	411	01 June 2020	TBC
Aviva	373	21.40	839	1,212	n/a	Cancelled
Legal & General	294	12.64	754	1,048	04 June 2020	Confirmed
Phoenix	169	23.40	169	338	19 May 2020	TBC
Prudential	422	20.78	540	963	15 May 2020	TBC
RSA	77	15.60	161	238	n/a	Cancelled
St James's Place	99	31.22	167	266	22 May 2020	TBC
TOTAL	**1,619**		**2,856**	**4,475**		

Source: Company accounts, AJ Bell

RUSS MOULD
AJ Bell Investment Director

The degree of dividend cuts could become even more acute, depending upon two factors. The first is the duration of the current lockdown and social distancing policies and the shape of the anticipated recession and subsequent economic recovery. The second is the weight of political and public opinion. The former is very hard to forecast.

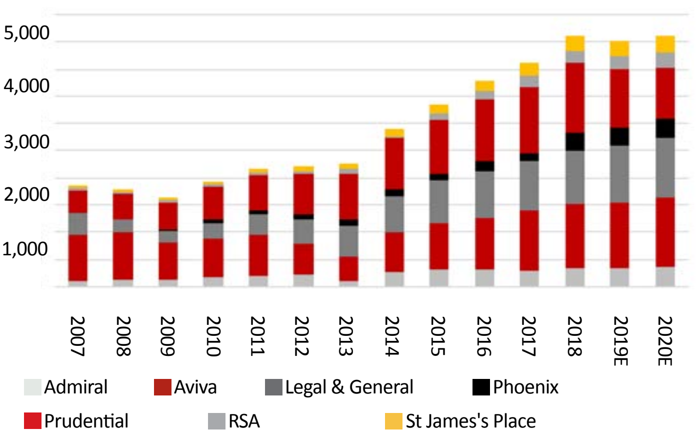
It may be even more difficult to gauge the impact of the latter, although it may be best to prepare for the worst and hope for the best, at least from the narrow perspective of portfolio investment, because no sooner has the PRA had its say at the banks than the European Insurance and Occupational Pensions Authority (EIOPA) has begun to apply similar pressure to UK's and Europe's quoted insurers.

At the time of writing, **Aviva (AV.)** and **RSA (RSA)** have confirmed they won't be paying dividends near-term. Among the FTSE 250 insurers, **Direct Line (DLG)** and **Hiscox (HSX)** have also paused dividends. **Legal & General (LGEN)** is the only one to say in recent weeks that it still intends to keep paying dividends; we're simply waiting for the rest to update the market.

SUMS AT STAKE

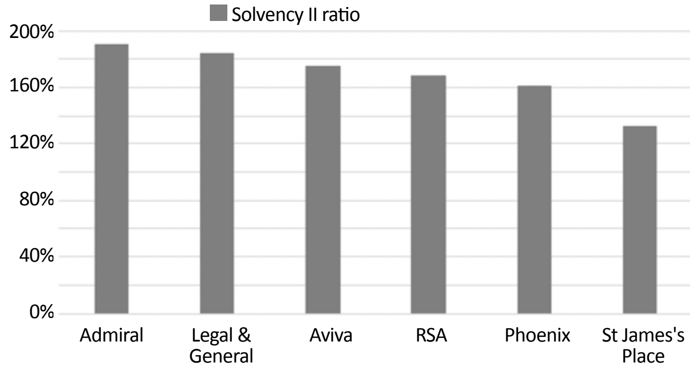
Were all seven FTSE 100 firms who are classified as life or non-life insurers by index-compiler FTSE to comply with EIOPA's requests to cancel their second-half dividends, this would take another £2.9bn of anticipated income away from investors.

FTSE INSURERS WERE EXPECTED TO PAY OUT A FURTHER £4.5 BILLION IN DIVIDENDS IN 2020



Source: Company accounts, Sharecast, consensus analyst forecast pre-Aviva and RSA cancellation. Figures in £ millions.

FTSE 100 INSURERS MEET ALL SOLVENCY II REGULATORY CAPITAL REQUIREMENTS



Source: Company accounts. After the M&G demerger, Prudential is not subject to Solvency II and now operates under Hong Kong Insurance Authority rules, whereby it has a $9.7bn surplus relative to the Local Capital Summation Method (LMCS), or 356% of requirements

It would also put in play some £4.5bn on dividends expected in 2020.

The issue does not appear to be the insurers' ability to pay. Applying EIOPA's own Solvency II ratio, which measures how much capital insurers have to hold to be confident they can withstand a worst-case loss scenario, all of the seven FTSE 100 firms appear well buttressed.

Following the demerger of fund manager **M&G (MNG)**, **Prudential (PRU)** no longer falls under the EIOPA's purview and it is now regulated by the Hong Kong Insurance Authority, but the company carries a sizeable surplus relative to the Local Capital Summation Method and is therefore also in the clear, at least on paper.

REGULATORY PUSHBACK

This does not seem to be enough to persuade EIOPA, rather as the Big Five banks' regular clean bill of health relative to the Bank of England's stress tests and improved Tier 1 capital and leverage ratios did little to throw the PRA off their scent when it came to reining in dividends and buybacks.

The EIOPA, like the PRA with the banks, wants the insurers to keep the capital as an extra buffer against potential losses relating to coronavirus and the associated economic downturn.

A further similarity is that insurers, like banks,

do not always feature prominently in lists of companies most admired by the public. Paying out large amounts of cash to shareholders when tales of refusal to pay out those hit (yet again) by floods or whose livelihood has been destroyed by the lockdown is not necessarily a good look. By contrast, it is a good look for regulators and politicians to take a tough line even if, with plenty of justification, the insurance industry can say it did not need the taxpayer bailouts that the banks hoovered up during the great financial crisis of 2007-09.

This is a new, variable element for income-seekers to address and it is one of several potential long-term implications of the coronavirus crisis and policy response to it, as and when we (hopefully) begin to shake it off. This column does not have the answers, alas, but investors might like to consider the following issues as they prepare their long-term asset allocation plans:

- Increased government involvement could mean more regulation and greater emphasis upon returns for stakeholders (employees) relative to shareholders.

- Increased public appreciation of those who have worked in stores or warehouses or supply chains and kept the show on the road could also mean increased pressure for improved salaries and conditions for the lower-paid – especially if firms focus on more local supply chains and reduce their reliance on global ones, further tightening the labour market over time.

- This could all mean lower returns on capital, lower payouts and potentially lower trend total returns for investors. Share buybacks in particular will surely come in for greater regulatory scrutiny.

Vanguard's little-known active fund beats Alliance Trust and Witan

Its global equity fund is relatively small but the returns are much bigger than two of its best known peers

Investment trusts **Alliance Trust (ATST)** and **Witan (WTAN)** are two popular funds in the UK. Investors like the way they use a panel of third party fund managers, deemed to be the cream of the crop, to pick stocks from around the world. They often get all the attention in discussions about multi-manager investment funds, but there is another player in the market which is actually delivering better performance.

Vanguard is best known for its low-cost passive funds, particularly the LifeStrategy range which feature different mixes of stocks and bonds. However, its active fund range is not well known in the UK. That could change as its funds build up a longer track record and certainly if they maintain their outperformance.

The closest product in Vanguard's active range to Alliance Trust and Witan is **Vanguard Global Equity (BZ82ZT6)**. This is a portfolio of approximately 200 stocks from around the world picked and managed by Baillie Gifford and Wellington.

In comparison, Alliance Trust uses a panel of nine different equity managers, bringing together their best ideas in a 200-strong portfolio. Witan uses a panel of 10 managers to run 90% of its portfolio. The rest is invested directly by Witan's executive team.

Since launch on 25 May 2016, Vanguard Global Equity has achieved 40.8% total return. In comparison, Alliance Trust has delivered 30.2% and Witan 14.3%. The MSCI World index has returned 36% over the same time period.

One of Vanguard Global Equity's top holdings is Alibaba

LONG HISTORY OF ACTIVE FUNDS

While Vanguard isn't really know for active funds in the UK, it is the third largest active manager in the world. The business started with active funds when it was founded in 1975 by Jack Bogle. Prior to setting up Vanguard he led asset manager Wellington which might explain why that company is on the panel for the Global Equity fund.

VANGUARD'S GLOBAL MULTI-MANAGER AND EMERGING MARKETS FUNDS HAVE OUTPERFORMED SINCE LAUNCH

Vanguard Global Equity	**40.8%**
Alliance Trust	30.2%
Witan Investment Trust	14.3%
MSCI World Index	36.0%

Vanguard Global Emerging Markets	**35.3%**
MSCI Emerging Markets Index	34.5%

Source: FE Fundinfo. Data from 25 May 2016 (Launch date for both Vanguard funds) to 2 April 2020

'Wellington is an incredible active manager,' says Andy Surrey, a senior manager at Vanguard. 'It has a well-resourced research platform and a culture of sharing ideas. The team meet every day and a 25-year-old's idea has the same value as a 55-year-old's. Everything is shared on a flat basis. We use Wellington more than any other sub-adviser on Vanguard products.'

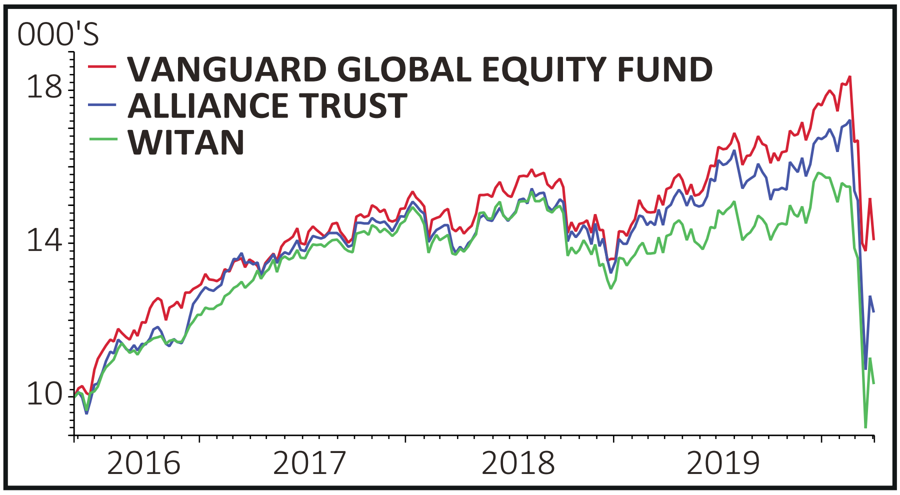
Vanguard's active funds typically only use a panel of two or three asset managers, unlike Alliance Trust and Witan which have significantly more. Larger panels create the opportunity to mix lots of different investment styles, whereas small panels mean the fund is more focused which can work to its advantage if the managers are good at picking stocks, but work against it should the managers make mistakes.

Surrey says Vanguard meets 200 potential managers for its funds each year and their performance acts as a benchmark for the incumbent managers on its products.

BAILLIE GIFFORD PLAYS A KEY ROLE

Growth investing specialist Baillie Gifford is the joint manager alongside Wellington on Vanguard Global Equity as well as co-running **Vanguard Active UK Equity (BK1XRK6)** and **Vanguard Global Emerging Markets (BZ82ZY1)**.

'We've worked with Baillie Gifford since 2003, a time when the growth investing style was getting absolutely killed,' explains Surrey. 'Value was racing ahead. Baillie Gifford was losing quite a few large clients and we came in and secured its services at a low cost.' The asset manager is now highly respected in the industry and by retail investors who flock to its products including **Scottish Mortgage Investment Trust (SMT)**.



In addition to Baillie Gifford, Vanguard Global Emerging Markets is managed by Pzena Investment Management and Oaktree Capital. Pzena is a deep value investor whereas Oaktree is the largest distressed securities investor in the world and co-chaired by Howard Marks whose regular memos are essential reading. 'Oaktree is more eclectic in its approach and is extremely risk aware, always thinking about the downside,' says Surrey.

COMPARING CHARGES

A lot of investors assume multi-manager investment funds come with high fees to pay the experts doing all the work. This is certainly not the case with the Vanguard products nor Alliance Trust, however Witan's 0.87% ongoing charge including performance fees is higher than the 0.7% average for the AIC Global sector, based on research by the AIC in October 2019.

Alliance Trust charges 0.64% a year whereas Vanguard Global Equity has a significantly lower ongoing charge of 0.48%.

'Our focus is keeping costs low as well as identifying the best talent to run the portfolios and being very patient,' says Surrey. 'If you try and market a product based on past performance, as soon as you've had a bad year you'll suffer huge outflows.'

Over 10 years, Vanguard believes investors in its Global Equity fund would save £1,204 in charges compared to the average similar fund, based on a £10,000 investment and 5% annual return.

The Global Equity fund may only have £67.5m worth of assets under management – only a fraction of the £2.4bn with Alliance Trust and £1.7bn with Witan – yet there is a lot to like about the product. Anyone thinking of adding a global fund to their portfolio should certainly give it some consideration.

By **Daniel Coatsworth**
Editor

Infrastructure trusts have been a saviour to investors

Stable, government-backed subsidies and fixed price contracts mean these investment trusts continue to see the money rolling in

Amid all the gloom and falling markets as a result of the coronavirus pandemic, at least one area of investment seems to be holding up relatively well.

Mostly seeing smaller declines than the market year-to-date and maintaining their dividends, renewable energy infrastructure investment trusts will have been useful supports in a diversified portfolio.

According to analysis from the Association of Investment Companies, in the six weeks to 13 March share prices of renewable energy infrastructure trusts fell by just 3.2%, compared to a 27% fall in the FTSE 100 and a 13% fall in the S&P 500.

While that may change in the next few months depending on the length and severity of the crisis, most renewable trusts appear to be uncorrelated to stock or bond markets.

RENEWABLE ENERGY INFRASTRUCTURE TRUSTS' SHARE PRICE PERFORMANCE THIS YEAR

Gore Street Energy Storage	1.2%
Octopus Renewables	-5.9%
Greencoat Renewables	-6.7%
Aquila European Renewables Income	-8.5%
Renewables Infrastructure Group	-9.8%
John Laing Environmental Assets	-10.0%
Bluefield Solar Income	-10.0%
Foresight Solar	-13.0%
Greencoat UK Wind	-13.4%
US Solar	-16.2%
SDCL Energy Efficiency Income	-17.0%
Gresham House Energy Storage	-17.1%
Next Energy Solar	-19.7%

Data 1 Jan to 3 April 2020. Source: Google Finance

SECTOR RESILIENCE

There are several reasons why the sector is resilient, according to Gresham House chief executive Tony Dalwood.

'Firstly, renewable assets are typically private with relatively stable revenue, and therefore they tend to see less price volatility,' he explains.

'Second, and a related point, is that the income yield and the relative security of that is also attractive relative to equities and other financial assets.'

Many renewable energy infrastructure trusts typically get around half of their revenues from government subsidies like renewables obligation certificates (ROCs), which are issued by regulator Ofgem to accredited renewable energy generators. These subsidies are locked in for a period of 20 years.

The other half of their revenue comes from the sale of electricity. This is an area of concern for trusts in the sector generally, given wholesale electricity prices have been low for some time because of an oversupply of cheap gas and lower demand from a mild winter.

REASON TO WORRY?

Electricity prices have since slumped to 10-year lows as social distancing rules resulting from the coronavirus outbreak put the brakes on the economy and dampen demand further. The closure of factories, pubs, restaurants, gyms, shops and cinemas led to a 10% decrease in electricity demand in the last week of March.

However, Winterflood analyst Kieran Drake still thinks the sector is in a 'relatively strong position' at the moment, and points out that most funds have at least some fixed price contracts for selling electricity – called power purchase agreements (PPAs) – and so in the short-term have some protection against lower prices.

'Revenues, and hence dividends, in the short-term look reasonably robust compared with other areas of the market,' he adds.

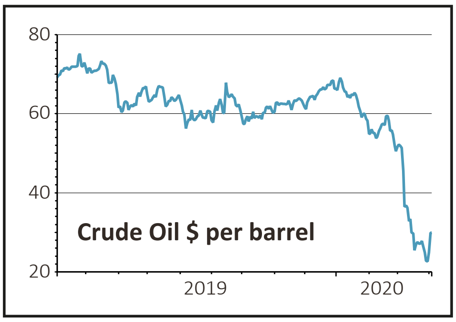
For example, **Foresight Solar (FSFL)** makes around 53% of its revenue from UK Government subsidies, mainly through ROCs, with another 17% fixed through PPAs. Around 30% of its revenues have exposure to the power price.

Its share price has taken a bit of a hit in the year to date, falling around 13%, but manager Ricardo Piñeiro says the fund is 'well protected' compared to other sectors and asset classes.

He says: 'The share price doesn't necessarily reflect the resilience in the sector. More generally [the market sell-off] is a liquidity point, and renewables haven't been excluded from that.'

IS THE OIL PRICE SLUMP A CONCERN FOR RENEWABLE ENERGY?

While renewable energy infrastructure trusts haven't seen their revenue dry up unlike some other companies, exposure to the power price could still potentially dent their income if oil prices remain low for a long time.



Oil has collapsed to multi-decade lows thanks to plummeting demand and a price war between Saudi Arabia and Russia, two of the largest producers in the world, resulting in a huge oversupply in the market and a lack of sufficient takers for all that oil.

Some in the sector insist the oil price has no impact on wholesale electricity prices as it is the price of gas, not oil, which determines wholesale electricity prices, however others say there is an impact as gas pricing is affected by the price of oil.

According to Ofgem, the reason gas is used to determine wholesale electricity prices is because gas-fired power stations are often what's called the 'marginal source of generation'.

When electricity demand is low, it is met by cheap sources of power. This has traditionally included coal-fired and nuclear plants, but when demand increases gas-fired generation (which is more expensive) is added to the mix as the marginal source of generation and therefore sets the wholesale power price.

Dalwood explains: 'The low oil price is affecting power prices in general and it is affecting gas pricing. Some renewables generation is affected and this will continue to be the case if the pricing of oil and the wider energy market remains low for a prolonged period.'

However, Piñeiro says the correlation between the oil and gas price has been decreasing in the past few years with other sources of gas becoming more readily available.

'There's a lot more shale gas in the US for example being distributed around the world, and this has helped create a lower level of correlation

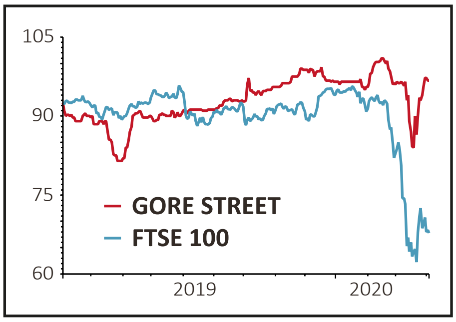
between gas prices and oil,' he adds.

DIVERGENT BEHAVIOUR

Despite their resilience not all trusts in the sector have performed the same. Some of the wind and solar trusts, like the aforementioned Foresight Solar, have lagged a little compared to energy storage trusts and those with a mix of wind, solar and other renewable energy assets.

One of the most resilient areas has been energy storage, which has no exposure to the power price.

As at 2 April, **Gore Street Energy Storage (GSF)** has been the best performer, in share price terms, in the AIC's renewable energy infrastructure sector over the past year, and is currently trading marginally higher year-to-date.



The trust has lithum-ion battery assets in the UK and Ireland, which store energy to be used by the grid when there is an imbalance between the energy being put into the grid and the energy being consumed.

The amount of electricity fed into the grid must always be equal to the amount of electricity consumed, otherwise there's a black-out.

Alex O'Cinneide, CEO of Gore Street Capital, says that while the trust is not counter-cyclical, 'we are neutral to events at the moment'.

Its main customers are FTSE 100 utility giant **National Grid (NG.)** in the UK and state-owned power transmission operator EirGrid in Ireland.

O'Cinneide explains: 'We provide a service to a very well-capitalised firm. If the grid goes out of balance, they call on our assets to either consume electricity or generate electricity to keep it in check. Energy storage is another form of resilience.'

NOT ALL GOOD NEWS FROM INFRASTRUCTURE TRUSTS

Winterflood discusses some important points about three investment trusts:

'**HICL Infrastructure (HICL)** looks to be more exposed in the current environment, with 22% of the portfolio invested in demand-based assets where revenues are correlated to GDP.

'Demand/usage has fallen markedly at the fund's largest three assets (toll roads and HS1 rail), which together make up 20% of the portfolio.

'**Sequoia Economic Infrastructure Income (SEQI)** has seen the largest share price decline of the infrastructure funds so far this year and its rating has moved from a 10% premium to a 10% discount.

'In an investor call on 16 March the manager highlighted that the economic infrastructure debt in which the fund invests is often supported by physical assets, long-term concessions or licenses to operate infrastructure assets and the companies frequently operate within a regulated framework.

'However, unlike social infrastructure, economic infrastructure sectors generate revenues from demand, usage or volume.

'**3i Infrastructure (3IN)** has also seen a significant de-rating, although it is still currently trading on a premium. The fund invests in the equity of operating economic infrastructure companies and so offers a higher risk potentially higher return than other funds in the sector.'

By **Yoosof Farah**
Reporter

Experts are feeling more optimistic about Chinese stocks and funds

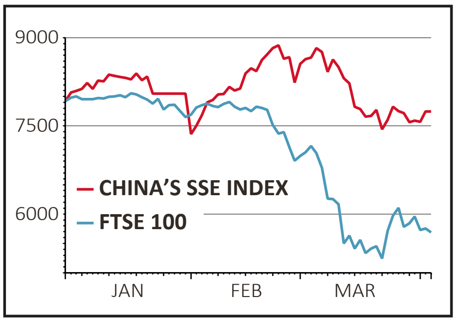
We find out why fund managers are warming to the Asian region again

As the city of Wuhan ends its 11-week quarantine, it seems that life in China is more or less getting back to 'normal'. Although a handful of new virus cases are being reported, the draconian measures the government took to limit the virus mean the country is recovering just as the rest of the world goes into lockdown.

Cinemas and schools have reopened in many provinces and traffic is back to normal levels in the top 100 cities. The key manufacturing provinces of Zhejiang and Jiangsu which surround Shanghai are said to have been almost fully operational by late February.

Moreover, thanks to its tough measures to contain the outbreak, China's government hasn't had to deploy anything like as much fiscal stimulus as Europe or the US to protect its economy, although it may unveil a business 'help' package later this month.

LOOK HOW CHINESE SHARES HAVE HELD UP MUCH BETTER THAN UK ONES



NO V-SHAPED RECOVERY

There was positive news when the manufacturing purchasing managers' index (PMI) rebounded from a record low of 37.5 in February to 52 in March, but as Eleanor Creagh, regional strategist at Saxo Bank, points out, the PMI reflects the monthly change and isn't indicative of 'v-shaped recovery'.

'China's manufacturing sector continues to face headwinds as the global demand shock presents a second wave of external demand collapse for the sector,' says Creagh.

Louis So, co-chief investment officer of Hong Kong asset manager Value Partners, agrees: 'In our view, the demand slowdown will impact China's economy and corporate earnings. In general, earnings expectations are still too high for export-oriented stocks.'

DOMESTIC ECONOMY RECOVERING

Crucially, private consumption has picked up. China's economy is now led by domestic consumption, with net exports making up just 17% of GDP last year compared with 31% in 2008, and its homegrown consumer goods companies are already back up and running.

Chetan Seghal, lead manager of the **Templeton Emerging Markets Investment Trust (TEM)**, says the resilience of the domestic economy shouldn't be overlooked.

'Structural themes remain unchanged, with information technology and consumers playing key roles. While we have seen weak consumer sentiment impacting discretionary purchases and travel, e-commerce, internet and software companies are benefiting from an increase in online activities.'

In a recent survey by consultancy McKinsey, between 60% and 70% of Chinese consumers polled said they expected to resume 'normal consumption or consume slightly more' in the next couple of months.

Consumption is increasingly moving online, with domestic brands tending to react fastest, reflecting digital capabilities that are often more mature than those of international brands, according to McKinsey.

Teera Chanpongsang, manager of the £3bn **Fidelity Asia Fund (B6Y7NF4)**, believes there are many new opportunities related to the rising middle class and their consumption of goods and services.

'One effect of the coronavirus tragedy may be to increase the penetration of online consumption still further, with online services such as e-tutoring, entertainment, and grocery delivery all receiving a forward push.'

ATTRACTIVE VALUATIONS

Another positive for investors looking at Chinese stocks is that much of the negative news is already priced in. The Hang Seng China Enterprises index and Hang Seng index are now trading below the 2008 global financial crisis level in terms of price-to-earnings and price-to-book ratios.

According to Yu Xiaobo, investment director and head of China business for Value Partners, Hong Kong stocks are more than one standard deviation below their historical averages in term of price-to-earnings and price-to-book.

'We need to remember that valuations have always rebounded after a crisis. We saw that after the 2008 global financial crisis. Hong Kong stocks at current valuations are equivalent to bonds yielding 10% to 15% percent annually,' he adds.

Mark Asquith, lead manager of the **Somerset Emerging Markets Discovery Fund (BK5SP81)**, describes the sell-off in emerging markets as a 'once in a generation opportunity'.

He says: 'The last down market of similar severity occurred during the financial crisis of 2008/09. From the lows of November 2008, emerging market small caps rose more than 150% is US dollar terms in a little over 12 months. Brazilian small caps rose around 300% over the same period and almost 500% within two years.

'No two bull or bear market is the same, but we could see similar moves from current levels over the next few years,' he adds.

ASIA VERSUS REST OF THE WORLD

INDEX	PERFORMANCE YEAR-TO-DATE
SSE COMPOSITE (CHINA)	-8.8%
HANG SENG (HONG KONG)	-17.6%
NIKKEI 225 (JAPAN)	-24.7%
S&P BSE 100 (INDIA)	-31.8%
S&P 500 (US)	-21.8%
FTSE 100 (UK)	-27.3%

Source: SharePad. Data 1 Jan to 3 Apr 2020

STABLE INCOME

In terms of sustainability of yields, Mike Kerley, manager of the **Henderson Far East Income (HFEL)**, points out that while companies in the US and Europe have rushed to cut their dividends, outside of Australia and Singapore there is less need for Asia Pacific firms to cut payouts.

'Earnings undoubtedly will come under pressure but we are confident of the Asian region's ability to pay dividends owing to the large levels of cash on balance sheets, and most importantly the lower level of dividend payout of only 35%, which is far lower than Western peers and means dividends are more sustainable in Asia than elsewhere.'

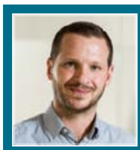
He highlights the banks as a good example, given the regulators' demands in the UK and Europe that they halt dividend payments. He says Asian banks are well capitalised, have lower dividend payout ratios than Western peers, and in a lot of cases are state-owned where the governments rely on dividend income to bolster revenue.

By **Ian Conway**
Senior Reporter

What do I need to know before I start drawing down on my pension?

Our resident pensions expert outlines key drawdown considerations

After reaching my 60th birthday last month I took the opportunity to crystallise my pension into drawdown, taking my 25% tax-free lump sum in the process. I'm now planning to start taking an income from the taxable part of my fund – is there anything I need to be aware of before I go ahead?
Kathryn



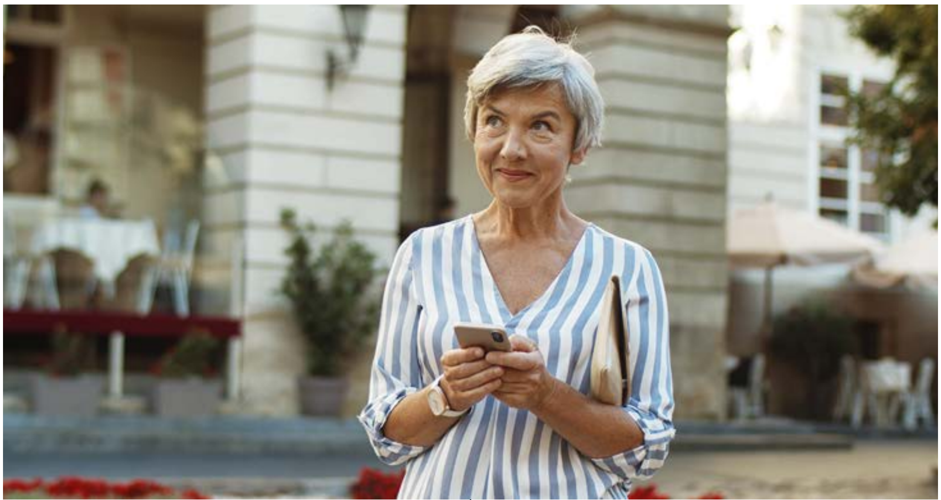
Tom Selby
AJ Bell
Senior Analyst says:

While it would be impossible to cover everything you need to consider when entering drawdown in this column, here are some of the main things you need to think about.

TAKING TAXABLE INCOME FLEXIBLY FROM YOUR PENSION WILL TRIGGER AN IRREVERSIBLE £36,000 CUT IN YOUR ANNUAL ALLOWANCE.

Taking even £1 of taxable income from your pension will trigger the money purchase annual allowance (MPAA), reducing the amount most people can save in a pension each year from £40,000 to just £4,000.

Furthermore, if you trigger the MPAA you will lose the ability to 'carry forward' unused pensions allowances from up to three previous tax years, meaning in some cases the impact will be a £156,000 reduction in the potential annual allowance in the current tax year, from £160,000 to £4,000.



To avoid an annual allowance cut, you could consider using money held in vehicles such as ISAs or cash savings accounts before touching your pension.

This can also make sense from an inheritance tax perspective as pensions can now be passed on to nominated beneficiaries tax-free if you die before age 75, or at your beneficiaries' marginal rate of tax when they take an income if you die after age 75.

YOUR FIRST TAXABLE WITHDRAWAL WILL BE SUBJECT TO EMERGENCY 'MONTH 1' TAXATION.

When you first take taxable income from your pension, HMRC will automatically tax it on an emergency 'Month 1' basis. This means the usual tax allowances are divided by 12 and then applied to your first withdrawal.

For example, if you made a £12,500 taxable withdrawal in 2020/21 and had no other taxable income, you might expect to be charged 0% income tax as the withdrawal is within your personal allowance.

However, because it is your first taxable withdrawal only £1,042 (£12,500 personal allowance divided by 12) is taxed at 0%. The next £3,125 (£37,500 basic-rate tax band divided by 12) is taxed at 20%, with the remaining £8,333 taxed at 40%.

For those taking a regular income this shouldn't be a problem, as any overpaid tax in the first month will be ironed out via your tax code. However, where it's your only payment during the tax year there are two options – wait until the end of the tax year for HMRC to hopefully sort it out, or sort it out yourself by filling out one of three forms.

Once you've filled out and sent off the relevant form, HMRC says you should receive a refund of your overpaid tax within 30 days.

The link to the forms is available here.

BEWARE BIG INCOME WITHDRAWALS DURING FALLING MARKETS.

We are experiencing the first bear market – characterised by falls in stocks of more than 20% – since the pension freedoms launched five years ago. The coronavirus pandemic and global economic shutdown has brought into sharp focus the importance of understanding the investment risks you are taking and managing withdrawals sustainably.

This is particularly the case where large withdrawals come at the same time as big falls in markets, a phenomenon often referred to as 'pound-cost ravaging'.

If you want to manage your withdrawals sustainably and avoid selling down your capital at a low point in the market you could use other cash resources – such as ISAs and cash savings – in order to keep your underlying pension intact.

Taking a natural income – meaning you simply live off the dividends your investments produce – has also been a good strategy previously, although finding companies paying dividends could be a bit like catching smoke in 2020.

If you do plan to make capital withdrawals from your pension, the key is to have a plan in place and review your income strategy regularly, ideally with the help of a regulated adviser, to ensure you aren't risking running out of money early in retirement.

ARE YOU HAPPY WITH THE RISKS YOU'RE TAKING?

According to a 2018 market study by the Financial Conduct Authority the vast majority of people cite accessing their 25% tax-free cash as the main reason for entering drawdown. This is understandable given it is one of the main tax benefits of saving in a pension.

Although accessing your tax-free cash won't necessarily mean a change in your underlying investments, it is worth using this as an opportunity to review your retirement plans and ultimate goals.

For example, someone like you who is planning to take a regular income after accessing their tax-free cash will likely have a different asset allocation to someone who doesn't plan to touch the remaining money for 15 years.

You also need to be aware of, and comfortable with, the risks you are taking. Although investments can go down in value as well as up (as we have seen in dramatic circumstances recently), the value of cash will be eaten away by inflation over time.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to **editorial@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 guidance 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.

Five steps to get your finances recession-proof

From making your bills more manageable to developing new skills

If the UK is headed for recession people need to get their finances into shape, cut outgoings and try to save as much as possible while they can.

Many people are worried that the economic impact of the coronavirus will drag the UK into recession. While official economic data isn't available yet, the early signs from data put together by the House of Commons Library paint a grim picture of rising unemployment, an increase in businesses falling, plummeting service sector figures and dropping consumer demand.

Daniel Harari, the researcher who wrote the report, says: 'While we don't know how deep the recession will be, it is clear we are already in recession. The crucial question is how long it will go on for. This will be determined by how long the lockdown is in place, and how much permanent damage is done to the economy in the meantime.'

So how can households protect themselves and their finances from the worst of any recession?

01 ADDRESS YOUR DEBTS

If you're in a position to, you should first focus on using any spare cash to pay down expensive debt such as credit cards or loans. Find the debt with the highest interest rate and start paying that off first, before moving to the next highest rate. Moving this burden off your finances could really help if times get tougher.

However, many people won't be in a position where they have spare cash to help pay off debt, and if that's the case your focus should be on reducing the cost of any debt.

One thing that counts in your favour at the moment is that interest rates are at record lows, which means the cost of debt has fallen slightly too.

Those with better credit records will find they have more options open to them, but moving your debt to a 0% credit card could be a good option and means you can use more of your capital to pay down the actual debt rather than just paying off the interest. A personal loan could also be an option, assuming you have the means to repay it.

If your finances have already been affected by coronavirus there is lots of help you can get from the bank, from interest-free overdrafts to payment holidays on loans and credit cards. Be careful with the payment holidays though, as you'll still pay the interest so it can cost you more in the long term.

02 BUILD UP AN EMERGENCY POT

Your next step should be to build up an emergency pot of cash that you can fall back on, should you lose your job, see your income cut or face

any unexpected costs. The fact that one in eight adults have no savings at all, and 45% of the population have less than £2,000 in cash, shows how financially exposed many people are.

Typically it's a good idea to build up between three to six months' worth of outgoings, so tot up your mortgage or rent, bills and essentials and work out how much you need. If this seems like a high figure then just put away anything that you can. This money should be available immediately if you need it, so put it in an easy-access cash account rather than an account where access to the money is restricted. But make sure you find one that's paying the highest rate of interest – at the moment this is about 1.3%.

03 TAKE THE RED PEN TO YOUR OUTGOINGS

A good way to generate some extra cash each month, and get your finances as lean as possible, is to use some of your new-found spare time to check you're paying the cheapest price for all

your services.

Start with the big things, such as making sure you're on a competitive mortgage rate, which can save you hundreds of pounds each month. If you're worried about losing your job in the future then you might want to extend the term of your mortgage so your monthly repayments are lower. Clearly this will cost you more in the long run, as you'll be paying interest on the debt for longer, so you need to weigh up the pros and cons.

A good first step is to look at how much interest you're paying at the moment – if you've slipped on to your lender's standard variable rate then you'll be paying far higher interest than new deals would offer.

But you need to look at the available equity you have in your home, what your home is worth and whether your income is sufficient to be eligible for a new deal.

You should also be aware that a number of mortgage lenders have pulled some products at the moment, so you might not have as many options as you would have previously. Speaking to a broker could be a good first step.

Once you have tackled that big outgoing, you can look at any unwanted direct debits coming out of your account or bills that have crept up each month. Whether it's switching to a cheaper energy deal, assessing whether you really need three different streaming services or realising that your Sky package has shot up in price, there's lots you can do just by going on a comparison website and hunting for a new deal and giving up things you don't really need.

Previously we all claimed we didn't have time to do these life admin tasks, but now we have no excuses. And reducing your outgoings now will free up more money each month to save, but also mean that if your finances take a hit in the future you've got fewer outgoings to pay.

04 ELIMINATE LIFESTYLE CREEP

Aside from the bills going out each month, now is a good time to look at what you spend. Clearly the past month isn't going to be indicative, but look back at the previous few months' bank statements and

work out where you're spending your money.

As people earn more throughout their lifetime they gradually spend more on their everyday lives, whether that's buying slightly nicer clothes, or going to slightly better restaurants or on pricier holidays.

It's so small that we often don't notice it, hence the term 'lifestyle creep'. There's nothing wrong with this as long as you're living within your means, but it's a good idea to pinpoint areas where you can easily cut back and save money. Even if you don't need to do it now, it's reassuring to know where you can make cuts if you need to.

05 WORK ON A SIDE-HUSTLE

Many of us find ourselves with more spare time, so it could be a good chance to turn your hobby into something that could generate an extra income, or use the time to learn a new skill that could turn into a new line of work or a second income.

If you're worried about job security it could be good to have an alternative source of income to fall back on, even if it's only small to start with.

By **Laura Suter**
AJ Bell Personal Finance Analyst

What are stocks and shares?

We discuss the case for buying equities and some of the risks involved

For first-time investors, continued references in the media to 'stocks', 'shares' and 'equities' might lead you to think that they are all different things. However, they are all just different names for the same thing.

It's easiest to think of a 'share' as just that. If you buy shares in a company – such as **Lloyds (LLOY)**, for example – you are literally buying a share in the company's business. For that investment, you are entitled to part of the company's future income and profits in the form of dividends. You also hopefully benefit from your shares going up in value if the business is successful.

Ownership of the shares also gives you the right to take part in the company's annual general meeting, to vote on certain decisions put forward by the board, as each share carries a vote, and to buy shares in any new issues the company might make to fund its growth.

BUYING AND SELLING

Shares are bought and sold on the stock exchange. Before the 'Big Bang' market overhaul in 1986, shares were traded face-to-face on the floor of the London Stock Exchange itself.

The stock 'broker', who was buying or selling shares on behalf of their clients, would negotiate in person with a stock 'jobber', whose job it was to make a continuous market price in a given list of shares.

Trading eventually moved to computer screens with the 'jobbers' making prices and the 'brokers' buying or selling electronically or by telephone. This is still the case today (for an explanation of the process of buying shares for the first time, see here).

WHY BUY SHARES?

Historically, the case for owning shares is strong. According to Richard Oldfield, fund manager and the author of *Simple But Not Easy*, since around 1850 shares have given a real return (after inflation) of around 6% per year plus or minus a percentage point in most countries.

The 2019 iteration of Barclays'

WHAT IS A SHARE?

1 You buy shares in a company

2 Any distribution of profits to shareholders are done via dividends

UK EQUITY PERFORMANCE STATISTICS SINCE 1899

Number of consecutive years	2 years	3 years	4 years	5 years	10 years
Probability of equity outperformance vs cash	69%	71%	73%	76%	91%
Probability of equity outperformance vs bonds	68%	74%	75%	72%	77%

Source: Barclays Equity Gilt Study, April 2019

Equity Gilt Study shows that £100 invested in cash since 1899 would be worth just over £20,000, while the same amount invested in UK government bonds would be worth £42,000.

However, if you had invested £100 in UK shares in 1899, they would have been worth around £2.7m by the end of 2018.

As these figures show, over the long run the returns on shares are much higher than the returns on cash and bonds, but those returns are also much more volatile.

While the returns on bonds and cash are reasonably predictable, the returns on shares can vary hugely over short periods, as the performance of the stock market this year has demonstrated.

Whereas bonds pay a fixed rate of interest, and at some point the company or the government pays back the loan and the investor gets back their capital, shares are an actual stake in a company's assets and profits.

If a company fails to grow its profits much, its shares will perform poorly. If the company gets it completely wrong and goes bust, however, shareholders may not even get their money back.

RISK VERSUS REWARD

If you might not even get your money back, you might wonder why you should buy shares at all. The answer is that, broadly speaking, higher risk leads to higher returns. For more on the different levels of risk involved in cash, shares and bonds, see here.

If you aren't comfortable with the risk that, in order to generate higher returns by buying shares you might lose some or all of your investment, then you should probably stick to bonds or other 'long duration' assets such as property.

If you *are* comfortable with that risk, then you need to set yourself reasonable expectations. Success in investing isn't instant, nor is it easy otherwise we would all be millionaires within a year.

MISTAKES ARE PAR FOR THE COURSE

Building long-term wealth takes time and patience, and a willingness to accept losses as part of the process. No fund manager on the planet gets every investment decision correct, in fact many successful managers would admit to being only two thirds right at best.

One of the most common mistakes that investors and analysts make is to be too confident in their forecasts for companies' profits. Quite often they focus too much on what a company is good at and not enough on what it is bad at or what could trip up their forecasts.

Usually, looking at the consensus range of forecasts is better than looking at one single forecast, and if a company's shares look cheap on even the lowest profit forecast then it is probably worth further investigation.

Information provider Reuters provides, free of charge on its website, consensus estimates for sales and earnings per share (EPS). Also, many larger companies have an 'Investors' section on their website with a range of analysts' forecasts.

By **Ian Conway**
Senior Reporter

KEY

- **Main Market**
- **AIM**
- **Investment Trust**
- **Fund**
- **Overseas**

KEY ANNOUNCEMENTS OVER THE NEXT WEEK*

Full year results

13 April: Gaming Realms. **14 April:** Proteome Sciences. **15 April:** JD Sports. **16 April:** Learning Technologies.

Half year results

15 April: Carr's Group.

Trading statements

14 April: Mediclinic International, Sirius Real Estate. **15 April:** Hunting, PageGroup. **16 April:** Hays, Norcros, Rentokil Initial.

PUBLICATION DATES ARE LIKELY TO CHANGE DURING THE CORONAVIRUS CRISIS

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All chart data sourced by Refinitiv unless otherwise stated

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