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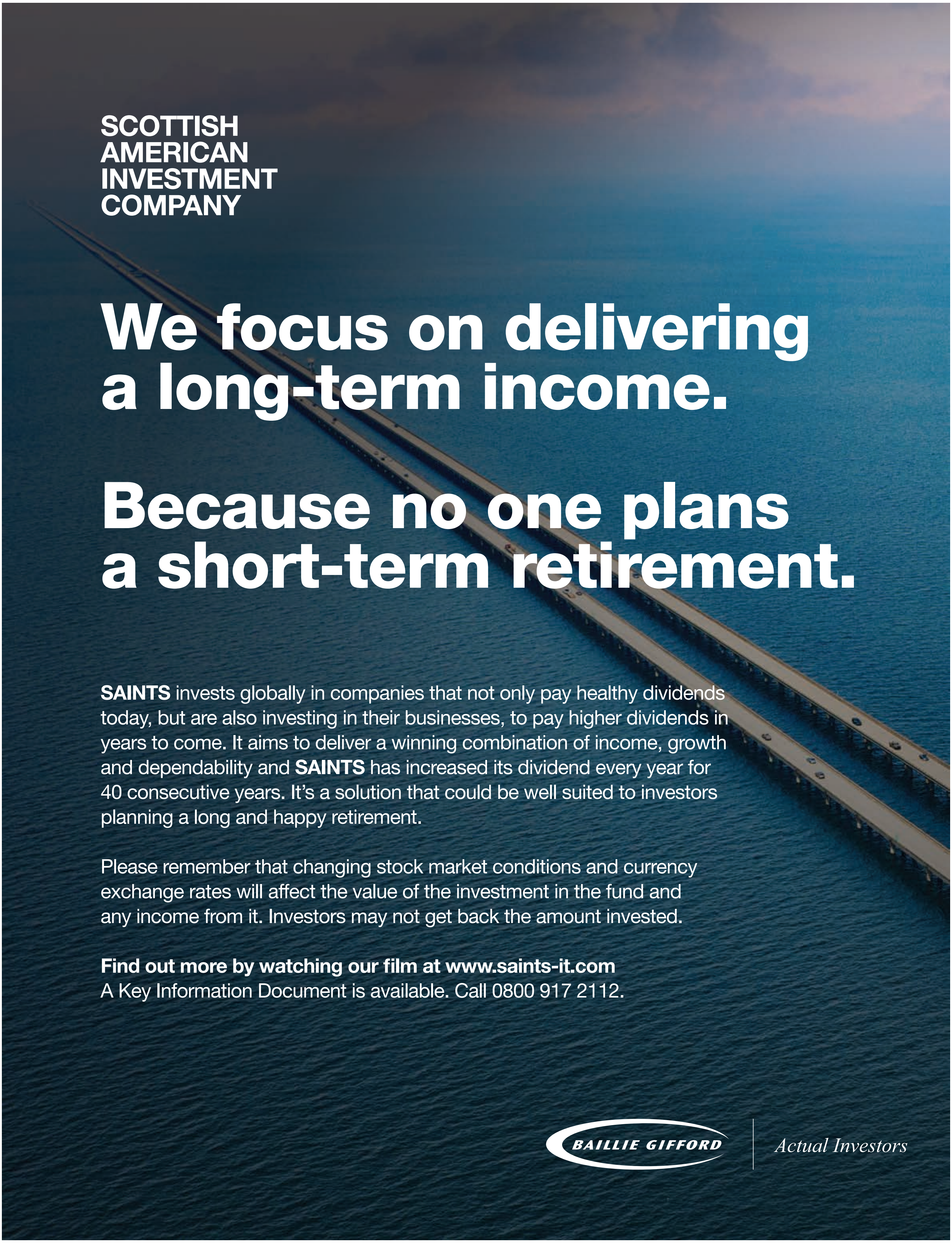
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BAILLIE GIFFORD
Actual Investors

Discounted shares aren't always a bargain

While retail investors could be offered greater participation in cut-price fundraisings, remember that cheap isn't necessarily good

The decision by FTSE 100 companies **Compass (CPG)** and **Whitbread (WTB)** to let the general public take part in their gigantic fundraisings is significant for retail investors.

Hundreds of companies this year have issued new shares at a discount to the market price in order to boost their balance sheets during the crisis. The majority of these fundraisings have been restricted to institutional investors such as asset managers and pension funds.

There have been some open offers – where all existing investors can buy more stock – such as ones from **Time Out (TMO:AIM)** and **Costain (COST)**, yet these are very much in the minority.

Whitbread is one of the few companies to undertake a rights issue, where all existing shareholders are given the right to buy more shares at a heavily discounted price. It is hoping to raise £1bn and shareholders need to act fast as the deadline is 9 June.

But perhaps the most important from a strategic perspective has been Compass' £2bn share placing which enabled retail investors to get involved via a technology platform called PrimaryBid. Here investors only had a few hours to request shares with priority given to existing shareholders. Compass ended up raising £5.6m from this group and the rest from institutional investors.

PrimaryBid has historically been used for small cap stocks to raise cash but Compass' involvement could send a signal to mid and large caps that it is an effective way for retail investors to get involved in placings and ultimately give them equal rights as institutions.

Being offered discounted shares is appealing but cheap isn't necessarily good if the company has lots of hurdles to clear in the near term.

Whitbread is offering one new share at a 47% discount to the market price on 20 May for every two existing shares held which may seem an absolute bargain at first glance. However,

the business has warned it could be 'materially loss-making' this financial year as lockdown has scuppered demand for its hotels and restaurants. It is burning through £80m cash a month while its sites are closed or operating at low occupancy.

An increase in remote working could see lower hotel demand in the future from business customers and it is hard to see lots of overseas tourists coming to the UK in 2020 and staying in its Premier Inn sites.

Greater levels of remote working would also be bad for Compass as its catering customers include many firms with big offices that they may downsize.

Such investment decisions would be easy to make if it was a simple case of a company needing cash to get through a short period of turmoil and life then returns to normal. But there is now a potential structural change in how we live and work which will impact so many different companies.

The pace of fundraisings is picking up as companies realise the disruption to their business could be longer-lasting than expected a few months ago. That suggests plenty of opportunities to buy more discounted shares soon, particularly if Compass' use of PrimaryBid sets the precedent for a greater number of larger companies to include retail investors in their fundraising.

Just remember to weigh up the risks and don't simply throw more cash at what could be a bad situation, just because the price is low.

By **Daniel Coatsworth** Editor

Contents

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Consumer stocks rally on lockdown easing hopes

Airlines, retailers and leisure groups all surge as the UK looks to reopen

Hopes of a return to a 'new normal' saw consumer-facing stocks stage a significant rally as the UK announced plans for reopening of retail businesses.

This news, combined with an update on another potential vaccine – developed by US firm Novavax – and a plan approved by chancellor Rishi Sunak to bail out strategically important businesses, saw retail, travel and leisure shares surge.

There is speculation that Sunak's so-called Project Birch could replicate the kind of state support seen in Europe, where Germany has approved a €9bn bail-out of its main airline Lufthansa. Carmaker Jaguar Land Rover is believed to be among those looking for help from the UK Government in the form of a £1bn loan.

Topping the FTSE 100 leaderboard on 26 May was **International Consolidated Airlines (IAG)**, with **EasyJet (EZJ)** rallying alongside stocks which serve the aviation industry including **SSP (SSPG)**.

Prime minister Boris Johnson announced on 25 May that car showrooms and outdoor markets could reopen from 1 June, the latter news driving double-digit gains for car sellers like **Pendragon (PDG)**, while all non-essential shops can open the shutters from 15 June.

However, there will almost certainly not be a return to business as usual on that date. There are likely to be restrictions on customer numbers in stores and how people move around shops and handle products.

There are also questions about the level of consumer appetite to risk a trip to a shop for non-essentials when they can buy many items online. There may well be ongoing volatility in the shares of retailers, airlines and other travel-related firms until there is confidence that an emergence from containment measures has been achieved without causing a second spike in infections.

In other company-specific retail news, sofa and carpets seller **ScS (SCS)** has announced a soft reopening of some stores.

CONSUMER STOCKS RALLY ON LOCKDOWN-EASING HOPES

Stock	Performance 26 May (%)
TUI	33.6
Mitchells & Butlers	24.5
Cineworld	23.5
International Consolidated Airlines	19.9
EasyJet	18.4
Dart Group	18.0
SSP	18.2
Revolution Bars	14.7
SCS	14.6
Restaurant Group	13.3

Source: Shares

Shore Capital analyst Clive Back commented: 'The whole country has experienced a traumatic period through the coronavirus crisis and within this context the British non-discretionary retail sector has also had to endure a major period of uncertainty, cost and challenge.

'Sadly, we do not believe that all of the furniture and flooring stores trading in the UK prior to the coronavirus crisis will reopen, something that in a broader context leads us to have concerns about the short-to-medium term prospects for the British consumer economy.

'Whilst this is so, ScS, with its excellent management, long-standing financial conservatism, strong balance sheet and operational effectiveness, was always towards the top of our survivors' list for the post-lockdown domestic retail world.'

Investors warned to watch balance sheet strength

Study says cash to short-term debt ratio worse than during 2009 crisis

Investors are once again being warned to carefully vet potential company share purchases for balance sheet strength. A new study has shown that the average position on borrowings for FTSE 100 companies is worse now than during the credit crunch a decade ago.

The financial health check report, conducted by Bowmore Asset Management, has found that companies in the UK's blue chip index would not, on average, be able to cover a full years' worth of short-term borrowings with readily available cash resources.

FTSE 100 companies have enough cash to cover debts for 292 days on average

FTSE 100 companies entered the lockdown with enough cash to cover their debts for 292 days on average, Bowmore found. That is substantially worse off than during the financial disaster of 2009, when the UK's largest companies had cash to cover marginally more than a years worth of borrowings, or 369 days.

The Bowmore study looked at quick ratios of FTSE 100 companies, excluding financial companies, such as banks and insurers. The quick ratio measures the ability of companies to cover short-term debts with readily available cash, and is one of several financial health checks that analysts and fund managers use to gain an understanding of a company's balance sheet strength.

A quick ratio of greater than one indicates that a company has more than enough cash to cover debts falling due within the next year. A rating of less than one means short-term borrowings are higher than available cash.

The average quick ratio for FTSE 100 companies now stands at 0.8 compared to 1.01 in 2009, the study states.

'In the current economic climate, investors will be keeping a close eye on companies' cash reserves and ability to cover debts, with good reason,' said Charles Incledon, client director at Bowmore Asset Management.

'Controlling cash burn is a top consideration both for management teams and shareholders as the coronavirus lockdown continues to weigh on demand. Those companies with good cash reserves will be out the blocks faster once the economy gets going again,' said Incledon.

Since March, more than £8.1bn of new equity funding has been raised by UK companies, but the trend appears to be accelerating as businesses struggle to cope with lost revenues.

The last fortnight has seen £4.1bn of the £8.1bn total raised, with £3.9bn expressly relating to Covid-19, said analysts at broker Peel Hunt.

These includes a £2bn share placing by FTSE 100 catering business **Compass (CPG)** on 19 May, and a £1bn rights issue announced by Premier Inn owner **Whitbread (WTB)** on 21 May.

In the Bowmore study companies including **Ocado (OCDO)**, **Spirax-Sarco (SPX)**, **BHP (BHP)** and **Halma (HLMA)** were shown to have the most robust balance sheets with quick ratios ranging from 1.79 for Ocado to Halma's 1.44.

Frontier Developments upgrades earnings guidance for second time

The growth spurt is even more impressive given that physical store sales are effectively on hold

While most sectors of the economy have been coming to a standstill during lockdown, the gaming sector has seen a significant boost in business, driven by an increase in the number of people playing video games while stuck at home.

On 20 May **Frontier Developments (FDEV:AIM)** upgraded earnings guidance for the second time in three weeks, despite its year-end being only a week away. Analysts have struggled to keep pace and will likely need to upgrade their earnings forecasts yet again.

The company is scheduled to update on trading again on 8 June and the shares are up over 20% since the middle of May.

Management have indicated operating profits will be 'materially ahead' of the £13m mark, suggesting a number of at least £14.5m, while consensus is currently languishing at £12.9m. This is particularly impressive given that physical stores selling its games have largely been out of operation.

Some analysts think the current tailwind effect from the lockdown will prove temporary and as the world slowly reopens, Frontier will suffer an easing of demand. Shore Capital is in this camp and while it has increased its 2020 profit forecasts by 17% to £14.4m, it is leaving its 2021 estimates unchanged for now.

At the other end of the spectrum are analysts at broker Peel Hunt, who believe the pandemic has merely accelerated existing long-term growth trends for the video gaming industry and momentum will remain post lockdown.

Something that all the analysts seem to agree upon is the increasingly strong roster of game releases that Frontier has assembled over the last year, bring greater visibility to revenues and earnings.

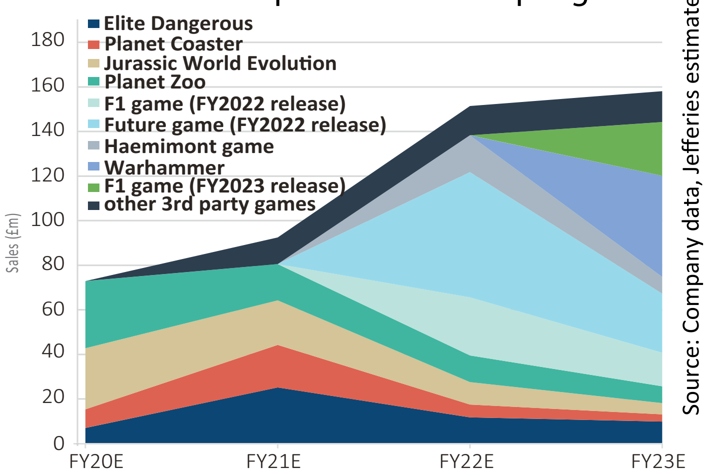
The latest addition to the line-up for a 2023 release is a real-time strategy game based on the hugely popular *Warhammer Age of Sigmar*, after the company sealed an exclusive intellectual property license with games miniatures manufacturer **Games Workshop (GAW).**

This deal demonstrates Frontier's strong reputation for developing multi-platform games and will bring the PC-led real-time strategy game to console players. According to Peel Hunt, this would broaden the audience to the more casual gamer, enabling Games Workshop to potentially reach people it has never reached before.

Andrew Bryant, analyst at Liberum, commented: 'This takes Frontier into an exciting new genre, extends revenue visibility into full-year 2023 and highlights the increasing value and potential for its development and publishing platform'.

Meanwhile the company confirmed two releases for 2022 including an F1 game and an as yet unnamed game. For 2021 the company will release two major updates including *Planet Coaster* for consoles and a premium release for *Elite Dangerous* as well as two third-party releases.

Frontier Developments revenue per game



Why has the FTSE found it hard to push ahead in the past six weeks?

Concerns over Brexit and trade wars resurface as virus threat recedes

For all the talk of stock markets bouncing back from March lows, UK shares have only delivered marginal gains in the past six weeks. At 6,088 on 26 May, the FTSE 100 index was up just 5.1% since 14 April, despite some wild one-day moves. US stocks have performed in a similar fashion.

While coronavirus and its impact on the economy and company earnings are still the main drivers, older concerns like a 'no-deal Brexit' and the US/China trade war have begun to resurface.

Negotiators on both sides admit that limited progress has been made on key issues regarding Britain's exit from the European Union (EU), and time is fast running out for a settlement. The transition period ends on 31 December and the UK has 'no intention' of changing this date.

The UK's chief Brexit negotiator David Frost has said the prospect of 'no deal' to avoid the UK being subject to EU supervision is 'not a simple negotiating position which might move under pressure – it is the point of the whole project'.

If a deal isn't agreed with the EU, the UK will default to World Trade Organisation (WTO) quota and tariff rules from 1 January 2021. Car makers will be subject to 10% tariffs on exports to Europe, while tariffs on agricultural products are as high as 35%.

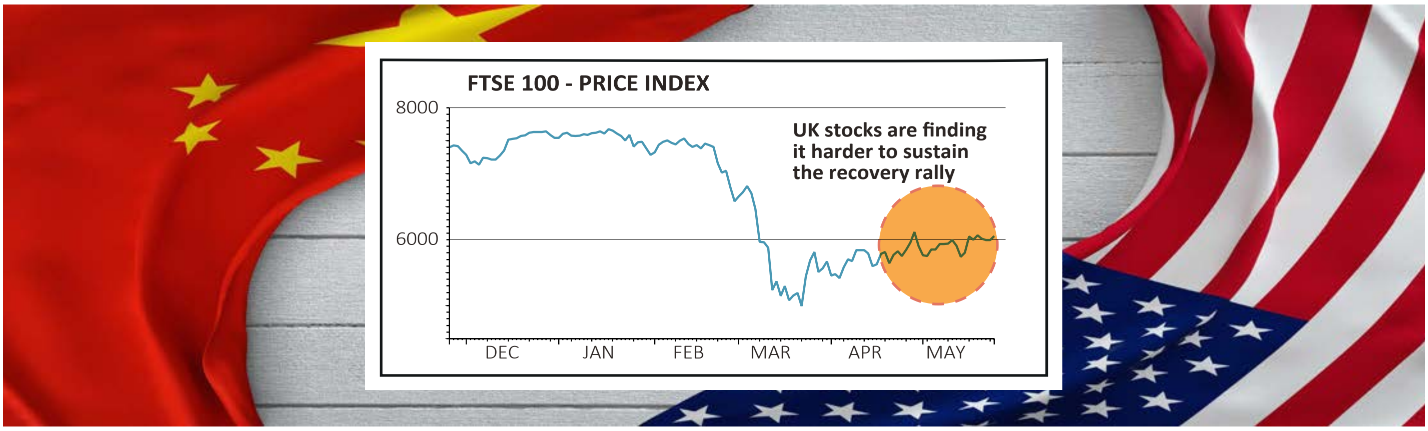
Meanwhile the US has ramped up its rhetoric against China, publishing a 16-page White House manifesto outlining an aggressive stance towards international trade, and blacklisting 33 Chinese firms and institutions from access to US technology on national security and human rights concerns.

The Trump administration also passed a bill that could block Chinese companies from listing their shares in the US. The increased tension has led Chinese search engine giant Baidu to consider delisting from the US Nasdaq market. Baidu's US shares are among the top holdings of investors like **Scottish Mortgage Investment Trust (SMT)** and many global technology funds.

China has responded by introducing a new security act in Hong Kong, removing more of the island's autonomy, and flexing its military muscle across the region.

This sent UK stocks with a large Hong Kong presence, such as FTSE heavyweights **HSBC (HSBA)** and **Prudential (PRU)**, sharply lower in panicked trading last week.

While the impact of the pandemic seems to be priced into stocks, the prospect of the UK leaving the EU with no trade deal and renewed tension between the world's two biggest superpowers is rightly making investors nervous.



This trust invests in many companies still paying dividends

BMO Capital & Income looks ideal for anyone wanting to generate an income from their investments

Investors seeking exposure to a wide range of UK companies still paying dividends should snap up **BMO Capital & Income Investment Trust (BCI)** as its portfolio contains many of these prized names.

This trust could be an easier and more convenient way for income investors to back the dividend payers as it only requires buying a single product rather than lots of individual shares.

Among the names in its portfolio still paying dividends are **GlaxoSmithKline (GSK)**, **Unilever (ULVR)**, **Diageo (DGE)**, **Phoenix (PHNX)** and **Legal & General (LGEN)**.

The trust is currently yielding 4.7% based on the amount of dividends it paid out in the last financial year. Investors should assume a slightly lower yield this year as there is no guarantee that most of its holdings will be immune from the dividend cuts seen across the market. We're merely saying its portfolio looks better placed than many other income-focused trusts and funds.

Investors pay a relatively low fee of 0.58% for the portfolio to be actively managed by BMO's Julian Cane.

BMO CAPITAL & INCOME
BUY
(BCI) 247.5p
Market Cap: £261m

BMO Capital & Income has beaten its FTSE All-Share benchmark over one, three, five, 10 and 20 years and an inflation-busting 4.1% hike in its dividend to 11.4p for the year to September 2019 marked 26 consecutive years of increased payouts from the trust.

Investment trusts are allowed to keep up to 15% of their revenue each year in a rainy day pot so they have spare cash to help keep paying dividends in harder times.

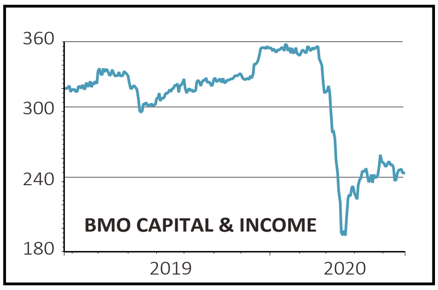
Pre-pandemic, Cane had prudently rebalanced the portfolio away from the UK market's traditional highest income payers, where income was under threat, towards lower yielding, yet faster growing dividend plays.

Over recent years, he has reduced exposure to **Royal Dutch Shell (RDSB)**, shielding shareholders from the oil major's first dividend cut since World War Two.

Cane recently sold **HSBC (HSBA)**, reinvesting the proceeds into **OneSavings Bank (OSB)**, where he insists valuation is very low for the returns being generated, and **Intermediate Capital (ICP)**, where he believes the market misunderstands the strength of the business and its growth prospects.

Admittedly OneSavings recently halted its dividend, however the BMO investment trust's approach is to deliver a mix of income and capital gains so having the bank in the portfolio fits with the latter part of the strategy.

Cane recently added to soft drinks bottling colossus **Coca-Cola HBC (CCH)**, while the portfolio now also includes investment manager **Schroders (SDR)** and brick maker **Forterra (FORT)**, both bought following the market sell-off.



Buy this ETF to profit from firms fighting the hackers

Cyber security will be central to a post-coronavirus world and this product is a top way to play the theme

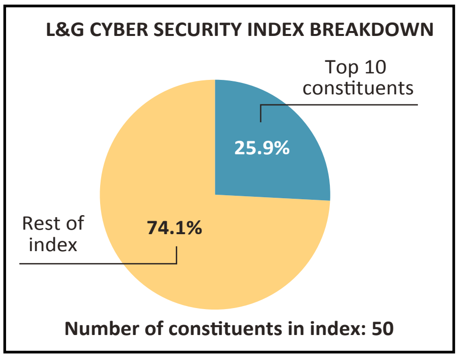
More people working from home as a result of the coronavirus pandemic has presented big opportunities for fraudsters and cyber criminals.

But unluckily for them there are a large number of cyber security companies who are working to fight off the aforementioned digital bad guys.

These businesses should be in line to profit by doing so and you can gain easy exposure to this theme through exchange-traded fund **L&G Cyber Security UCITS ETF (ISPY)**.

There is clearly a need to tackle cyber crime, as **EasyJet's (EZJ)** recent data breach showed with 9m customers having some of their details accessed by unauthorised parties.

The global cybersecurity market, providing services to businesses and individuals, is expected to grow at a compound annual growth rate of 12.6%, while some companies in the industry have the potential to grow at an even faster rate.



L&G CYBER SECURITY ETF GBP BUY
(ISPY) £14.41

Net assets: £1.13bn

This has been reflected in the sector's strong share price momentum. US companies Crowdstrike and Fastly have seen their share prices almost double in the year to date, for example.

L&G Cyber Security tracks an index which has both Crowdstrike and Fastly as two of its top five constituents.

This ETF is the most mature product in this space available to UK investors having been set up in September 2015, and has £1.13bn of investors' money, meaning it has a tight bid/ask spread – always important when looking to buy or sell ETFs.

The ETF has delivered a 17.5% annualised three-year return and a return of 11.9% year-to-date. The ongoing charge of 0.75% is reasonable when compared with other specialist ETFs.

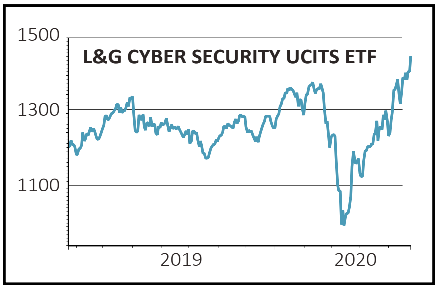
Even if we're in for a prolonged bear market, cyber security could potentially be less volatile than the rest of the tech sector as in an economic or market downturn many companies will still require cyber protection.

According to a survey carried out by LearnBonds, 70% of organisations see the value of raising investments in cybersecurity solutions and around 55% of major organisations said they will bolster their investments in automation solutions.

Nikesh Arora, the boss of Palo Alto Networks (the fourth largest position in the L&G ETF), said his firm is well positioned to leverage the acceleration of cybersecurity trends – remote working, shift to the cloud, focus on automation, artificial intelligence and machine learning – as a result of the coronavirus pandemic.

The firm is already showing the potential of companies in the space, and beat Wall Street expectations with its third quarter earnings reported last week.

Analysts were looking for non-GAAP earnings of 94 cents per share with Palo Alto instead delivering $1.17 per share, while the firm sees fourth quarter earnings of $1.37 to $1.40 per share compared to the $1.31 expected by Wall Street.



PETS AT HOME

(PETS) 235.6p

Gain to date: 10.6%

Original entry point:

Buy at 213p, 5 September 2019

OUR POSITIVE CALL on **Pets at Home (PETS)** remains 10.6% in the money, even after a warning that first half pre-tax profit will be 'materially below the prior year'.

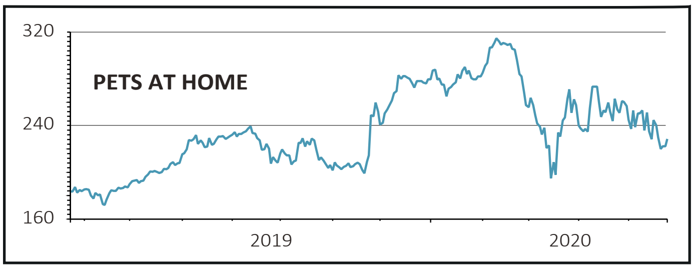
Strong results for the year ended 26 March 2020 showed underlying pre-tax profit rising 11% to £99.5m as pet owners stocked up on food and basic medicines during lockdown.

Unfortunately, nearly all of the 'exceptional demand' witnessed in the closing weeks of its fourth quarter unwound during the first quarter of its new financial year.

Pets at Home added that the weighting of higher online sales towards food, together with additional coronavirus-related costs, have had an adverse effect on profits, margins and cash flow in the new financial year.

Reassuringly, Pets at Home's balance sheet health enabled it to maintain the 2020 final dividend at 7.5p, in contrast to most other retailers that have suspended payouts.

Chief executive Peter Pritchard also bought almost £250,000 of shares on results day, demonstrating his confidence that Pets at Home will emerge as a stronger pet care business in a post-pandemic future.



SHARES SAYS: ↗
While the profit warning is disappointing, pet retailing remains a resilient niche. Keep buying.

MOTORPOINT

(MOTR) 215p

Gain to date: 13.2%

Original entry point:

Buy at 190p, 14 May 2020

OUR CONTRARIAN 'BUY' call on **Motorpoint (MOTR)**, based in part on a return to work tailwind, has delivered a quick-fire 13.2% gain, but we believe there is more to come from the used-car retailer's shares.

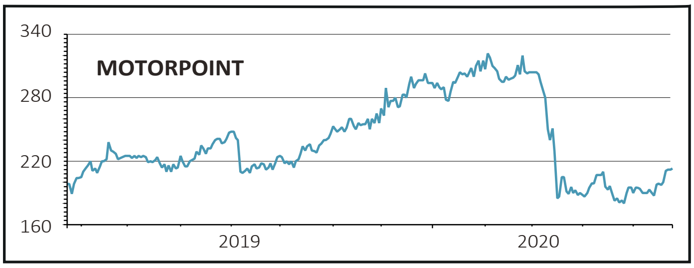
Admittedly this is a higher-risk investment as visibility on earnings remains poor, although there is bumper upside potential once the economy clicks back into gear.

Shares in the nearly-new car seller revved higher last week on news that it had launched a contactless purchase process, with customers able to choose between free nationwide home delivery and contactless collection at any of Motorpoint's 13 branches.

Shore Capital believes Motorpoint is currently ahead of the broader UK car market in recommencing its sales operations and is also pleased to see the same capabilities and click and collect option being applied to its Auction4Cars.com website, which has also recommenced trading.

The broker expects Motorpoint's recent investment in marketing capability to become evident with a new social media campaign planned.

Encouragingly the Government has now confirmed that car showrooms will be allowed to reopen from 1 June.



SHARES SAYS: ↗
The operations relaunch update was well-received and we're pleased that car showrooms are now only days away from reopening. Keep buying.

Insightful commentary on market issues

RUSS MOULD
AJ Bell Investment Director

What a corporate dash for cash could mean for investors

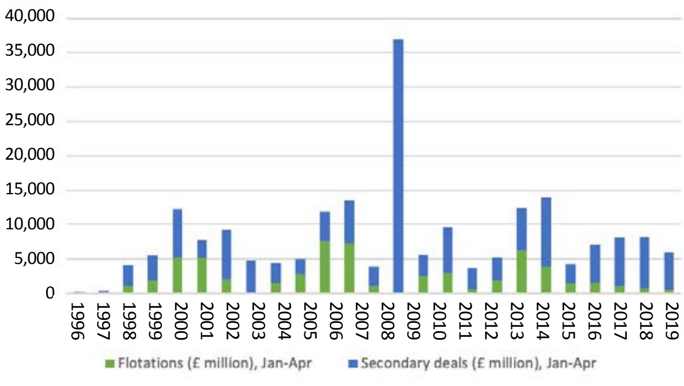
Companies are going cap in hand to shareholders as they respond to the crisis

April gave investors a taste of corporates' need for cash, as listed firms tapped shareholders for £3.3bn, according to London Stock Exchange data, but **Compass (CPG)** and **Whitbread (WTB)** moving to raise £3bn between them in the space of a few days takes the figures to a different level as firms continue to adjust to what the viral outbreak and lockdown mean for their business.

The question now is whether the likely rash of fundraisings is a threat, an opportunity or somewhere in between for investors.

The London market has been relatively quiet so far in 2020. London Stock Exchange data shows that new flotations had raised barely £500m by the end of April, the slowest start to a year since 2009, while secondary deals by firms that were already listed had generated some £5.6bn.

2020 HAS BEEN VERY QUIET FOR NEW LISTINGS IN THE UK



Source: London Stock Exchange

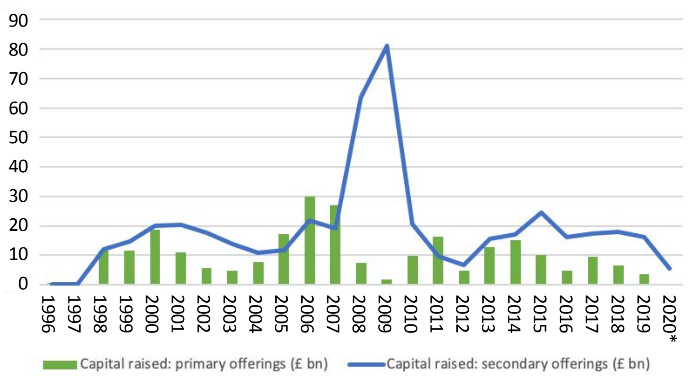
FAMOUS FIVE

Compass and Whitbread's fundraisings made them the fourth and fifth FTSE 100 firms respectively to raise fresh equity this year, after **Auto Trader (AUTO)**, **Carnival (CCL)** and **Informa (INF)**, and the scale of their deals suggests that the pace is about to pick up markedly across the UK equity market as a whole.

The experiences of the London market after the 2000 to 2003 and 2007 to 2009 recessions and bear markets would suggest that new listing activity may stay quiet as reduced risk appetite and lower equity valuations deter would-be buyers and would-be sellers alike.

The historic data does however show much greater activity among firms that were already listed in the wake of the bear markets and recessions, as they focused upon balance sheet repair or raise capital so they could take advantage of investment or acquisitive opportunities that arose during the downturns and emerge all the stronger, financially and strategically.

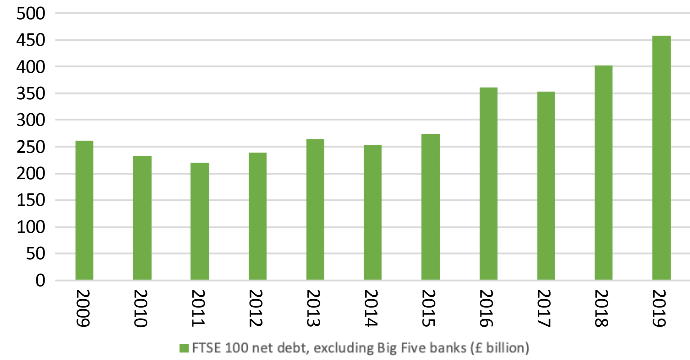
SECONDARY LISTINGS PROLIFERATED DURING THE LAST ECONOMIC AND MARKET DOWNTURN



Source: London Stock Exchange. Shows full-year figures. *2020 to the end of April

It therefore seems logical to expect that Carnival, Informa, Auto Trader, Whitbread and Compass will be followed by others, especially if the world emerges from lockdown only slowly and the economic upturn proves gradual. Excluding the Big Five banks, FTSE 100 total net debt – excluding pension deficits and lease liabilities – has soared by three quarters since the financial crisis ended.

FTSE 100 AGGREGATE DEBT HAS SOARED SINCE 2009



Source: Bloomberg. *Excludes the Big Five banks.

DASH FOR CASH

Cutting dividend payments by some £24.8bn for 2019 and 2020, so far at least, is preserving some cash, and cost cuts and Government support schemes will also be helping, but many firms may be reluctant to take on fresh debt in their attempts to manage their way through the viral outbreak.

Even allowing for record-low interest rates and central banks' efforts to manipulate bond yields and compress credit spreads to make it cheaper for companies to borrow, many management teams may already feel they have enough borrowing on their balance sheet, especially given the uncertainty over future revenues, let alone profits and cash flow.

The trend toward de-equitisation, as companies worship at the altar of the cash-light, 'efficient' balance sheet and buybacks outpace fund raisings, could therefore come to an end.

Data from Bloomberg shows the current crop of FTSE 100 firms has returned more cash to shareholders through buybacks than it has raised from them on eight occasions in the 10 years since

the end of the financial crisis and cash-raising boom of 2009. Firms may therefore begin to favour cash buffers instead.

Investors can therefore expect more calls upon them, especially as Compass and Whitbread may well open the floodgates, just as more firms were emboldened to cut their dividend as growing numbers of boards offered investors the unkindest cut of all.

SELECTIVE APPROACH

Whether any switch from net buybacks to net issuance actually holds back share prices and headline indices is harder to divine. In theory, buybacks have been a big source of support for share valuations over the past few years, especially as companies have frequently been gormlessly price-insensitive buyers.

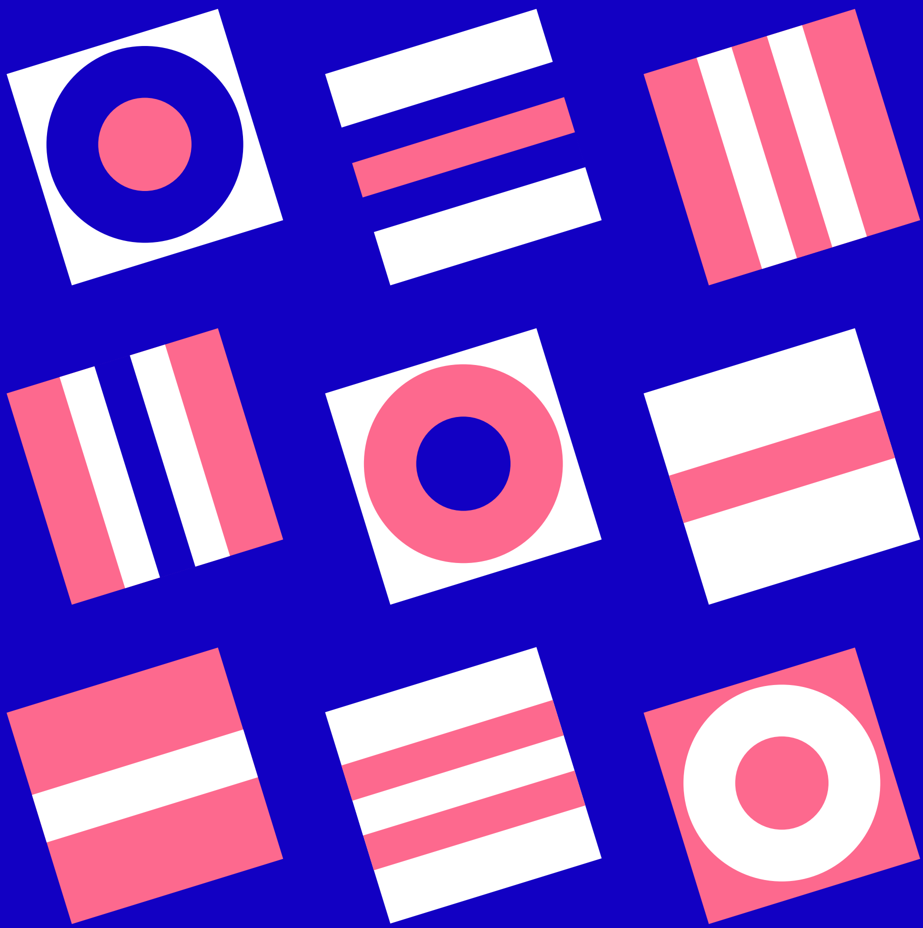
However, substantial equity issuance did not hold back the FTSE during the economic upturn and bull market of 2003 to 2007 or the early stages of the recovery from the financial crisis.

As central banks pump out quantitative easing and interest rates remain anchored near zero, cash is still looking for a home and investors are still seeking out the best risk-adjusted returns that they can find.

As a result, portfolio builders may view rights issues or placings as a good chance to average down and top-up holdings or build new positions in firms.

Those firms that are blessed with a strong competitive position and management acumen and have simply been blindsided by an impossible-to-predict plunge in revenues thanks to the outbreak may well merit support.

Those trying to fix prior strategic or financial errors may not. But, if nothing else, lower debt means less risk and less risk can mean higher equity valuations over time, all other things being equal.



RETHINK YOUR PROPERTY INVESTMENTS

Some of the classic places may no longer make you money

By **Tom Sieber** Deputy Editor

The property sector is facing its biggest test since the 2016 Brexit vote, with the coronavirus pandemic leading to a new wave of property fund suspensions, dividends being cut and a collapse in valuations.

People have been left to question if investing in commercial property is still a viable option and whether it can be relied on for income in the same way as before.

However, not all parts of this market have been affected equally, with certain areas like logistics, specialised residential and alternative assets holding up very well. Going forward it will become even more important to be very selective with exposure to property.

Read on to discover the risks facing various parts of the property space and three stocks which we think will provide a safe home for investors' money.

WHERE SHOULD INVESTORS LOOK?

Tom Walker, fund manager of **Schroder Global Cities Real Estate (B1VPTY7)**, recently told the *Shares*/AJ Bell *Money & Markets* podcast: 'We see the traditional real estate portfolio that comprises of offices and retail and maybe a smattering of industrial or student housing as just being a complete anachronism. It really is not relevant anymore.'

Walker focuses his property fund on areas like healthcare, data centres, logistics and self-storage where it is possible to identify structural demand drivers, saying that coronavirus has really only accelerated trends which were already in progress.

Many investors may not have chosen to have exposure to these areas, instead they are likely to have followed the traditional route of putting money into skyscrapers and shopping centres.

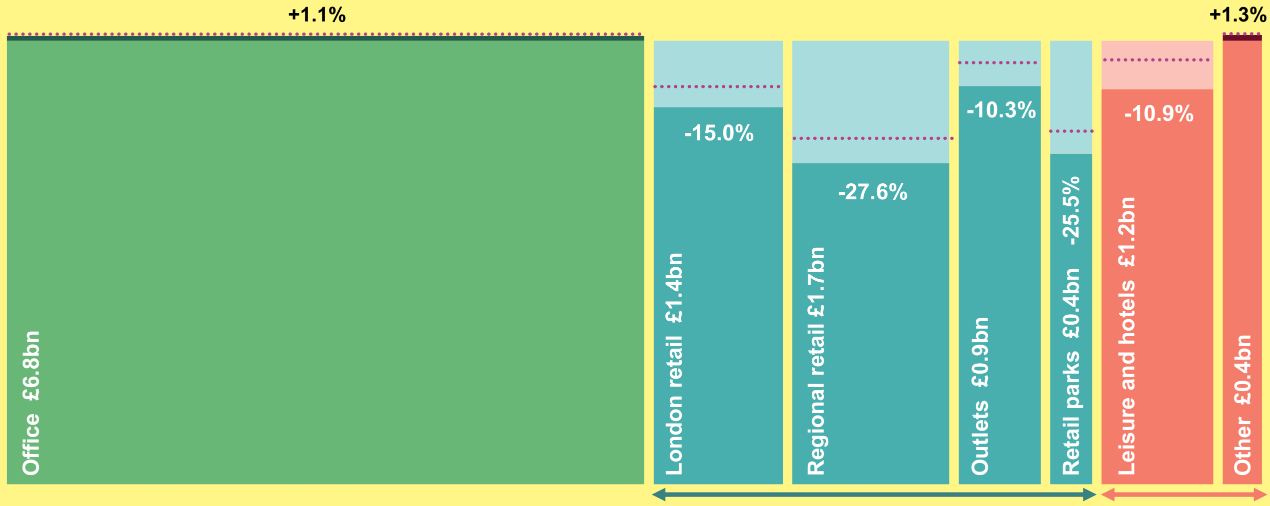
If you want to understand what Covid-19 has meant for UK property in microcosm then the recent full year results statement from the large diversified real estate investment trust **Land Securities (LAND)** is a good starting point.

More than 80% of its assets are in offices and retail, traditionally the dominant sectors in commercial property. The value of its portfolio was down 8.8% year-on-year with the retail

> **WE SEE THE TRADITIONAL REAL ESTATE PORTFOLIO THAT COMPRISES OF OFFICES, RETAIL AND MAYBE A SMATTERING OF INDUSTRIAL OR STUDENT HOUSING AS JUST BEING A COMPLETE ANACHRONISM**
>
> **Tom Walker, Schroders**

LAND SECURITIES' COMBINED PORTFOLIO VALUATION AS AT 31 MARCH 2020

£12.8bn portfolio, valuation declined 8.8%
One third of the decline attributable to Covid-19



Approximate pre-Covid-19 valuation
Source: Land Securities

A KEY QUESTION IS WHETHER IN THE LONG TERM WORKING FROM HOME WILL REPRESENT THE SAME THREAT TO OFFICES AS WEB-BASED SHOPPING HAS TO RETAIL PROPERTY ASSETS

segment down 20.5%. Lockdown arguably accelerated the trend towards online retail which had already been hurting high streets and shopping malls for several years.

Just 63% of Land Securities' rent had been collected within 10 days of being due in March and early April compared with 94% a year earlier; and it expects collection rates to get worse.

What was particularly telling was the revelation that only 10% of its office sites are currently being used as people have followed guidance to work from home if possible.

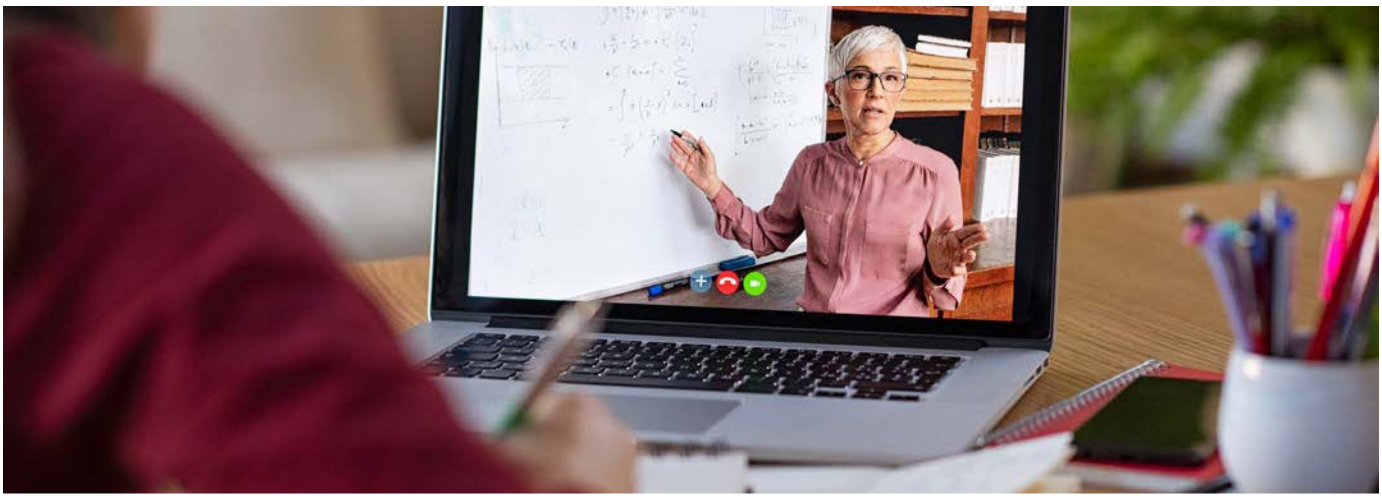
A key question is whether in the long term working from home will represent the same threat to offices as web-based shopping has to retail property assets. This could hit the valuation of offices in a way which hasn't come through yet.

WHY SOME PROPERTY FUNDS HAVE BEEN SUSPENDED

TRADING IN UPWARDS of 10 open-ended property funds remain suspended after going into hibernation in March. Volatile market conditions meant these funds' assets became hard to value and this in turn meant they couldn't accurately give a price for what the units investors buy and sell should be worth.

In 2016, in the wake of the referendum vote, funds were forced to close as market panic caused a flood of redemptions and funds didn't have sufficient cash on hand and were unable to sell assets quickly enough to pay back shareholders.

Investment trusts are often seen as a better vehicle for assets like property, which are harder to buy and sell in short order, because they are listed on the stock market and the fund managers don't have to factor in redemptions to how they invest. However, they will typically trade at a discount to net asset value at times of stress.



WILL WORKING FROM HOME SEE OFFICES GO THE SAME WAY AS RETAIL?

Working from home could become a hard habit to break. For employees it can mean greater flexibility, relief from the daily commute and more time with family. For employers it could mean a reduction in the amount of office space required and the costs this entails.

Barclays' (BARC) CEO Jes Staley was one of several corporate leaders to question the need for the same office footprint post-corona. Staley said having thousands of workers in expensive city sites 'may be a thing of a past' adding that the company would introduce a 'long-term adjustment to our location strategy'.

Worryingly for the owners of offices, comparisons are increasingly being drawn with the impact online retail has had on the valuation of high street shops and shopping malls.

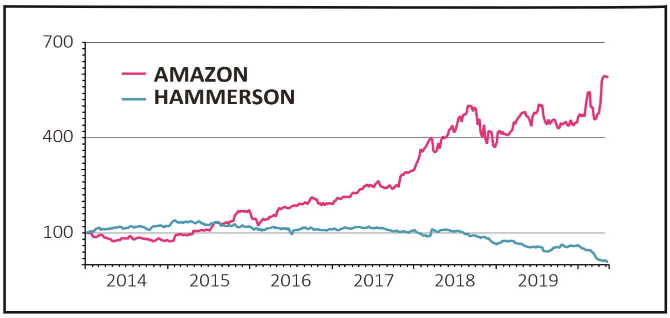
An already ugly situation for retail now looks even worse in the wake of lockdown but the trend was clear heading into the crisis. The chart, comparing the share price performance of Amazon, the world's largest online retailer, and shopping centre landlord **Hammerson (HMSO)**, paints a picture of the internet taking sales from physical stores.

Hammerson's more heavily indebted peer **Intu Properties (INTU)** faces a battle for its very survival, recently warning lenders it will default on its debt unless given some breathing room. A constituent of the FTSE 100 just three years ago, the company now has a market valuation of less than £100m.

There are certainly signs of stress in office real estate too. In New York, leasing of new office space has fallen to its lowest level since 2009 according to property services firm Newmark Knight Frank. However, the full impact is arguably yet to come through.

Chief executive of UK regional office investor **Circle Property (CRC:AIM)** John Arnold says: 'We feel the concern is more going to arise from the June quarter than the March quarter. The March quarter rent was due at the beginning of lockdown when trading was pretty much as normal.'

Longer term Arnold, perhaps unsurprisingly, expects office working to endure. He says: 'I don't think there will be a fundamental shift towards working from home, at some point people will crave a return to work – we're social beings and I don't think we work best in isolation.'



Investment bank UBS also believes offices will hold up better than retail assets. It highlights several reasons for holding this view.

They include a requirement for more space and less hot desking to facilitate social distancing and for hygiene reasons, the role of office locations in attracting and retaining talent, the fact that working from home will not be possible for everybody, the social benefits of working in an office and the possibility of alternate use for offices (such as conversion to residential).

UBS comments: 'While we see some validity in the theme, we see a number of mitigating factors that will likely confine this to a marginal effect. We do not think this poses a threat near the same level as e-commerce did on retail, as some have claimed.'

Supporting this view, **Great Portland Estates (GPOR)**, a big owner of offices in the West End of London, maintained its full year dividend at 7.9p (20 May) and it said it would look for opportunities to buy assets at a discount. The company pursued a similar approach in the wake of the financial crisis.

Circle's John Arnold says: 'Regional offices are more robust than central London as rents in the regions are lower.'

Arnold adds that offices with good car parking facilities may be prized as people are more reluctant to use public transport.

Nevertheless we do think there is considerable uncertainty over even regional offices – a theme we previously saw as attractive thanks to solid demand and limited new supply coming on to the market. In our view it is too soon to be buying into any recovery in this space.

TAKING ADVANTAGE OF LOGISTICS OPPORTUNITIES

While many property funds are on the back foot thanks to coronavirus, logistics specialist **LondonMetric Property (LMP)** recently completed a £120m fundraise to invest in a pipeline of opportunities.

Logistics assets, also known as warehouse assets, saw increased demand almost as soon as lockdown was introduced.

On 24 March property group **Savills (SVS)** noted it had recorded more than 3m square feet of new requirements for warehouse space in little over a week from major supermarkets, online retailers and pharmaceutical firms.

LOGISTICS ASSETS SAW INCREASED DEMAND ALMOST AS SOON AS LOCKDOWN WAS INTRODUCED

Growing demand from online grocery providers should be long-lasting as more people get used to doing a weekly shop over the internet and getting it delivered.

According to Savills, UK warehouse supply is just over 35m square feet and vacancy is 6.5% or less in many parts of the UK. There is also just 4.1m square feet of speculative development under construction due for delivery in 2020, with little expected beyond this amount for the foreseeable future.

Against this supportive backdrop, LondonMetric CEO Andrew Jones says ‘the pitch has become less crowded’ as competition for assets has fallen as a result of fewer large investors looking at opportunities in this space.

KEY FEATURES OF LONDONMETRIC’S PORTFOLIO

- Occupancy increased over the year **from 98% to 99%**
- Average lease lengths of **11.2 years** and only **7% of rent** expiring within three years
- Contracted income increased **from £90m to £123m per year**
- Contractual rental uplifts on **53% of income**, 60% of which is inflation linked

Source: LondonMetric, as at 30 March 2020

Jefferies analyst Mike Prew says: ‘The current market conditions are seeing increased opportunities to acquire assets let to high-quality tenants. Notably, **Next (NXT)** has been selling and leasing back distribution assets and its head office to create liquidity and cash to ride out the Covid-19 disruption.’

Jones at LondonMetric says these lease-back back arrangements are throwing up assets of a quality which wouldn’t typically be available and his company is wasting little time putting newly-raised capital to work. ‘We have agreements on roughly £70m out of the £120m we recently raised,’ he says.

‘I don’t need to predict with any great degree of accuracy how rapidly penetration of online retail in the UK will increase, I just know the trend is heading in that direction. That means less bricks and more clicks and we can play that through the warehousing space.’

London Metric’s shares may not be cheap trading on a 12.8% premium to net asset value but we think they are worth buying as it takes advantage of opportunities in the logistics sector from a position of strength.

A yield of 4.2% based on consensus forecasts looks attractive and sustainable.

Buy LondonMetric Property at 194p

RESILIENT RESIDENTIAL

Regardless of the pandemic we will all need a place to live and certain categories of residential property including social housing are proving to be highly resilient in the crisis.

A running *Shares Great Idea* **Civitas Social Housing (CSH)** continues to collect rent on time as the Government effectively pays for tenants with learning disabilities and mental health problems.

The company recently increased its dividend target for 2021 to 5.4p, implying a yield upwards of 5% at the current 103.8p.

It's not just social housing, investors in the private rental space are also doing well. First-half results from **Grainger (GRI)**, the UK's largest listed residential landlord, were in line with expectations and its own progressive dividend policy was maintained, with the dividend increased 6% to 1.83p.

Chief executive Helen Gordon says the company's mid-market positioning helps as demand lost at the bottom end of this segment can be replaced by people stepping down from the top end. She adds that the pandemic 'has reinforced our original strategy'.

'People rent for a variety of reasons,' remarks Gordon. 'They want good quality homes and they don't want to pay too much for them. We are also focused on things like technology for our residents – including super-fast broadband into each individual apartment.

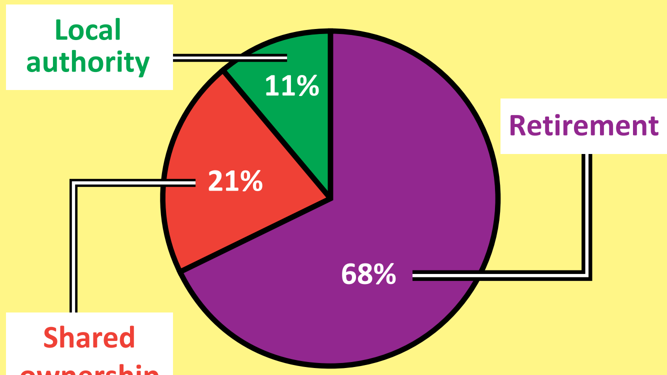
'We've even had people who were due to leave in August saying please can they stay as they appreciate what they've got.'

Around 27% of Grainger's portfolio is accounted for by regulated tenants who pay below-market level of rents and live in the properties for the rest of their lives. Once a property is returned to the company it is sold at market prices, thereby unlocking the capital value. This cash can then be recycled into higher yielding private rental assets.

Investment trust **Residential Secure Income (RESI)** is focused on three classes of tenant which should be less sensitive to what is happening in the wider economy, according to portfolio manager Ben Fry.

This encompasses retirees paying rent out

RESIDENTIAL SECURE INCOME PORTFOLIO BY VALUE



Source: RESI

of their pension, people in shared ownership schemes, where their agreement would be void if they don't pay rent, and tenants backed by local authorities trying to meet statutory requirements for housing in their areas.

Fry says: 'With these things considered we're very comfortable with a 5p per share dividend.' Residential Secure Income currently trades at 88p, so a 5p dividend equates to a 5.6% yield.

The investment trust is also looking to add to its portfolio. 'We've got around £36m left to deploy and we're seeing some very interesting opportunities,' Fry comments.

Beyond that he says the company will only raise more cash if its shares are trading at a premium to net asset value (NAV). They are presently trading at a 17.7% discount to NAV.

While Grainger looks well positioned, a yield of a little more than 2% is not particularly compelling. The size of the company does offer some reassurance but we think Residential Secure Income's more generous yield and well-positioned portfolio is the way to play this theme.

Buy
Residential Secure Income
at 88p

TURNING TO HEALTHIER ALTERNATIVES

As traditional forms of property lose their appeal there is likely to be increased focus on so-called 'alternative' property assets. This includes things like healthcare facilities, self-storage units or even data centres which Schroders' Tom Walker describes as 'the new beachfront property'.

Demand for data centres was already increasing ahead of Covid-19 and a likely boost to digitalisation across a variety of sectors, linked to the pandemic, is likely to accelerate this trend.

Jonathan Murphy, the chief executive of GP surgeries and primary care centre investor **Assura (AGR)**, tells *Shares* the business has largely been unaffected by coronavirus to date in financial terms.

'Rent collection is as normal and while we have seen some delays on development, these are delays, nothing has been lost,' he says.

ASSURA HAS BEEN LOOKING TO SUPPORT THE NHS WHERE IT CAN BY OFFERING VACANT SPACE FOR NOTHING

The company has been looking to support the NHS where it can by offering vacant space for nothing, giving over car parking facilities to testing and offering free legal services.

The intention to be a good corporate citizen is also illustrated by the launch of a community fund worth £2.5m aimed at improving health in communities around its buildings.

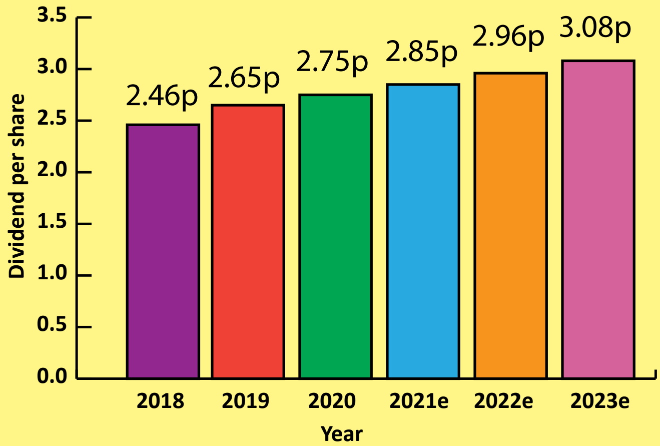
The impact of coronavirus is likely to create even greater need for healthcare facilities. 'We are looking at a massive ramp up in acute capacity within hospitals and the only way to achieve that is to move a greater amount of other services out of hospitals and into medical centres,' Murphy adds.

Against that backdrop, the company continues to invest for growth with a £77m development pipeline, £67m worth of acquisitions in the legal stage, and asset improvement projects worth £17m. A £185m fundraise, which completed on 7 April, gives the business plenty of financial headroom.

JP Morgan Cazenove comments: 'The shares are trading at a 23% premium to estimated adjusted NAV in 2021, but we believe the positive sector dynamics and 4% dividend yield should help bolster the shares.

'The market is paying a premium on Assura's defensive characteristics and we would expect it to continue to do so while interest rates remain low and recession risk remains high.'

ASSURA PROVIDES A STEADY STREAM OF INCOME



Source: Refinitiv. March year-end

BUY
Assura
at 77.8p

Clothing retail post-corona: smaller, faster, cheaper

The shake-out in the sector will be brutal and only those that adapt now will survive

Clothing retail is one of the most difficult businesses to get right at the best of times. Low profit margins, intense competition, changing consumer preferences, the weather and any number of smaller challenges can upset the plans of even the best operators.

The coronavirus has had a devastating short-term impact and in the long term retailers will have to adapt by improving their online offering and their understanding of customers.

House of Fraser went into administration last year and was sold to Sports Direct

RETAILERS WERE ALREADY STRUGGLING

It's no secret that retailers – especially those on the high street – were facing tough times before the crisis.

Last year was particularly brutal with more than 50 firms entering administration including Bonmarché, Debenhams, House of Fraser, Karen Millen and Coast, LK Bennett, the UK arm of Mothercare, Office Outlet (formerly Staples) and Select.

Since the turn of the year, fashion chains Autonomy, Cath Kidston, Laura Ashley, Oasis and Warehouse; luggage retailer Antler; department store Beales; rent-to-own retailer Brighthouse; and footwear chain Johnsons have also gone into administration, leaving hundreds more empty sites on our high streets.

According to the mid-May Opinium-Cebr Business Distress Tracker, one in five businesses in the wholesale and retail sector said they were at high or moderate risk of insolvency and might not survive another month of lockdown.

High streets, shopping centres and out of town retail parks have all suffered the same problem – a lack of people coming through the doors.

Non-food retail sales have been shrinking in value terms by an annual rate of 5% for more than a year according to the British Retail Consortium (BRC), but in-store non-food sales have been falling at a rate of 11.5%.

CHANNEL SHIFT

In contrast, online non-food sales have been growing by 4% to 5% a month for the last year with online making up around 30% of non-food spending.

After the 'Boris bounce' that followed December's election, in-store non-food sales briefly turned positive in January and February, but March's sales were shocking with the BRC reporting overall spending down 27% in the last two weeks of the month due to the closure of 'non-essential' shops.

April was even worse, and in-store non-food sales were almost non-existent due to the enforced closures. Instead, online spending on non-food items soared nearly 60% by value and the market share of online sales nearly hit 70%.

Figures from the Office for National Statistics (ONS) paint a similarly dire picture, with non-food stores registering their sharpest monthly fall in volume sales on record. Textile, clothing and footwear stores reported the biggest fall at 50.2%.

It's obvious from most retailers' trading updates that having an online sales channel – even if it isn't that good – has been better than not having one.

By its own admission, **Marks & Spencer (MKS)** has been behind the curve with its web offering, and while online sales haven't exactly blown the doors off in 2020 they have been the only significant contributor to the clothing business.

For chief executive Steve Rowe, the crisis 'has illustrated the need to be leaner and more integrated to compete with online pure plays'.

Next (NXT), which had to close its online operations briefly, has seen web sales recover sharply although overall sales are still a fraction of their pre-crisis levels.

Primark, part of **Associated British Foods (ABF)** and one of the UK's biggest fashion retailers in terms of sales, was 'squarely in the path of the pandemic' to quote chief executive George Weston.

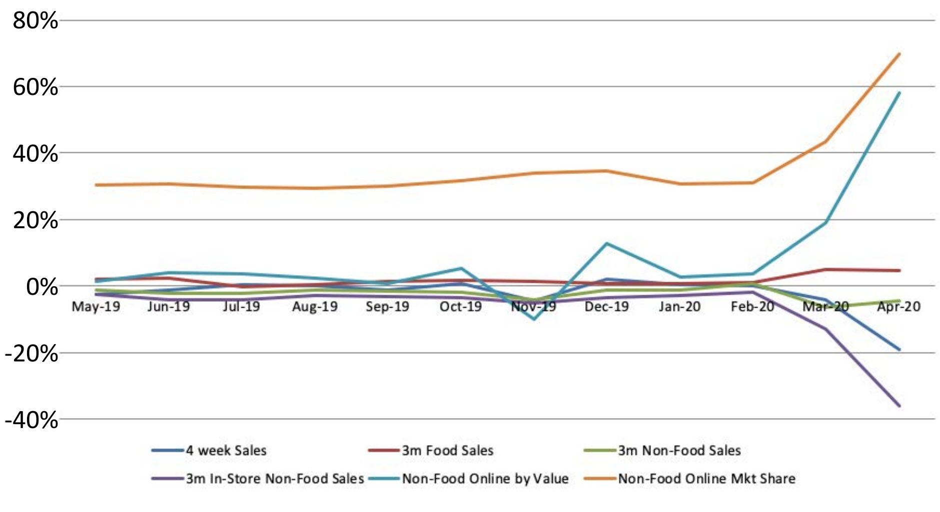
From making monthly sales of £650m a month, since 22 March it has sold nothing at all because it doesn't have an online channel. The margins on most of its items are so small that when shipping and returns are included, it isn't worth it financially.

'One third of clothes bought online get returned,' says John Bason, finance chief. 'That means someone has to pick it up, someone has to deliver it, someone in the store has to take it back, refold it. It doesn't work at the lower price point.'

Although some of its European stores have reopened, and the average customer spend or basket size is higher than pre-crisis, that alone won't make up for the massive shortfall in sales.

At some point Primark is going to have to consider the multi-channel option if it isn't to be left behind.

KPMG-BRC UK RETAIL SALES GROWTH



Source: KPMG-BRC

CORONAVIRUS HAD A SIGNIFICANT NEGATIVE IMPACT ON THE VOLUME OF CLOTHING SALES IN APRIL 2020

Great Britain, seasonally adjusted

Source: Office for National Statistics – Monthly Business Survey – Retail Sales Inquiry

THE NEXT NORMAL

The big worry for retailers is that when restrictions on store openings are lifted on 15 June (or 1 June for outdoor markets), aside from issues of hygiene and social distancing, will customers actually bother venturing out, or has the pandemic accelerated a trend which was already in progress and is the massive shift to online irreversible?

If the 'next normal' is for only 30% of sales to happen in-store, how can retailers

entice customers back? Also, how quickly will consumer confidence return, and what will the crisis have done to household savings and levels of indebtedness?

As Julie Palmer, partner at insolvency firm **Begbies Traynor (BEG:AIM)**, put it, 'The end of lockdown is not the light at the end of the tunnel for retailers. When lockdown is over the return to normality will not be like flicking on the lights, it will be like dimmer switches turned at low speed.'

Another concern is the shift in customer loyalty under lockdown. According to McKinsey, up to 40% of consumers have switched stores and brands during the crisis and many may choose to keep their new habits.

One theory is that stores could reflect the tastes of local consumers by adapting their products, pricing and promotions to each market. This means firms will need to invest heavily in digital, data and analytics (DD&A), to know their customers better, and radically improve their supply chains.

Retailers typically allocate less than 10% of their total resources to e-commerce, DD&A and flexible supply chains. If they are going to keep their most loyal customers and appeal to new ones, they may need to allocate two or three times their current spend, which will eat into already-slim margins.

POST-CRISIS PLANNING

Most retailers have taken advantage of the Government's furlough scheme together with business rate and VAT relief, as well as drawing on their banking facilities to finance their day-to-day operations.

All have cut non-essential spending but most still have large amounts of unsold spring and summer stock and have taken large write-downs as a result.

Given that margins may never return to pre-crisis levels, firms need to reset their cost structures as quickly as possible. Those that 'right-size' now, and upgrade their online capability, could see faster earnings recovery.

That's the message coming from Steve Rowe of Marks & Spencer: 'We have discovered we can work in a faster, leaner, more effective way. I am determined to act now to capture this and deliver a renewed, more agile business in a world that will never be the same again.'

Sonia Syngal, chief executive of Gap, is equally bullish. She says: 'We continue to use this crisis as an opportunity at every turn. As we leverage our stores as distribution hubs, lean into the meaningful acceleration of our online business and play forward the learnings from our Asia business, we believe we'll be well-positioned as this crisis subsides.'

Sadly, there are likely to be more retail insolvencies before the crisis passes. Less capacity is good for strong, solvent firms, but it doesn't solve the bigger conundrum of how to reignite demand.

By **Ian Conway**
Senior Reporter

The emerging markets technology story

How the sector has gained prominence in the developing world

While we often associate technological innovation with Silicon Valley in the US, emerging markets tech firms are starting to challenge their rivals in the West.

According to the latest data, information technology is the second largest sector on the MSCI Emerging Markets index after financials, with a weighting of 17%. The number one and two positions on the leaderboard of biggest individual companies on the index are occupied by Chinese e-commerce giants Alibaba and Tencent.

To place the growth of the emerging markets technology space in context, in 1997 tech firms represented just 1.5% of index by market capitalisation, with areas like commodities, utilities, telecoms and infrastructure dominating instead.

However, it is also true that the representation of tech in the MSCI Emerging Markets index is down from a peak level of closer to 30% a few years ago.

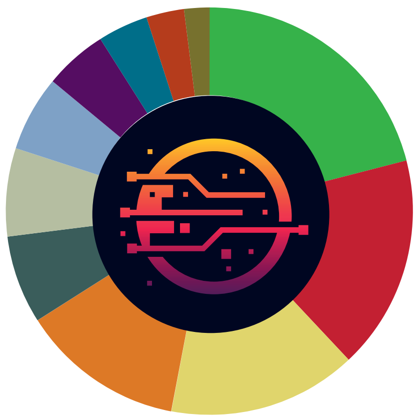
Other large emerging markets tech firms include South African internet and media outfit Naspers and South Korean

consumer electronics firm Samsung.

Given the technology markets in developing economies are less mature, there could be more running room for growth than in the developed world as increasing numbers of people in these countries get faster, more reliable internet connections and access to smart devices.

A World Bank report in 2018 noted: 'Adaptation or adoption of new technologies from other countries allows companies in emerging markets to increase their productivity, better serve customer needs, reach previously underserved and unserved customers, and be more competitive.'

MSCI EMERGING MARKETS SECTOR BREAKDOWN



Financials	20.9%
Information Technology	17.0%
Consumer Discretionary	15.3%
Communication Services	13.0%
Materials	7.0%
Consumer Staples	6.6%
Energy	6.2%
Industrials	5.0%
Health Care	3.7%
Real Estate	2.8%
Utilities	2.6%

Source: MSCI

Emerging markets: Views from the experts

Three things the Franklin Templeton Emerging Markets Equity team are thinking about today

1. Along with other major economies in the world, **India** has taken bold steps to contain the spread of COVID-19. The differentiated restoration of some normalcy with specified conditions should help the economy to gradually restart. The government also announced a $22.6bn economic stimulus plan and the Reserve Bank of India (RBI) provided additional support, which helped restore some confidence in financial markets and boost liquidity. For companies, we think balance sheet resilience is now crucial as the impact on businesses largely hangs on when the economy will reopen.

2. Adding to **Brazil's** COVID-19 woes, political uncertainty heightened in April following the resignation of the country's popular justice minister and the president's dismissal of the country's health minister. A key concern for Brazil is its high debt/gross domestic product (GDP) level, which will increase further as a result of the fiscal stimulus. While the short-term situation in Brazil remains volatile, we remain positive on Brazil over the longer term and continue to favour domestic-oriented themes including financials, infrastructure and consumer-related sectors, which we believe should benefit from the country's economic recovery.

3. We have started seeing signs of recovery in the **information technology** sector, with the MSCI Emerging Markets Information Technology Index rebounding over 20% from its recent low in late-March. In times of crisis, businesses tend to adapt accordingly, and embrace technology much more quickly. Education is a good example of that; schools have embraced the use of online technologies to provide a learning platform for students. E-commerce, internet and software companies are also benefiting from an increase in online activities. Over the long term, technology evolution and digitalisation is expected to continue. In our view, the current situation will probably accelerate the adoption and development of some of these themes going forward.

TEMPLETON EMERGING MARKETS INVESTMENT TRUST (TEMIT)

Porfolio Managers

Chetan Sehgal
Singapore

Andrew Ness
Edinburgh

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

MINING: RESILIENCE IN A CRISIS

BLACKROCK WORLD MINING TRUST PLC

The fortunes of the mining sector are often associated with economic growth but on the BlackRock World Mining Trust plc, we believe the inherent strength of mining companies has been widely underestimated.

Evy Hambro
Co-Manager
BlackRock World Mining Trust plc

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

The mining sector has not escaped the widespread sell-off in markets. The sector has long been associated with the fortunes of the global economy and the coronavirus lockdowns constitute a real threat to economic growth. However, we believe the mining sector may be more resilient than current share prices suggest.

Mining shares have already discounted a meaningful economic impact from the coronavirus and have continued to fall in the recent market sell-off. However, unlike retail or some other hard-hit sectors, we believe this impact for the mining sector may be relatively short-lived.

ROBUST HEALTH

In contrast to other major sectors, the mining sector entered the crisis in relatively good shape. The major diversified mining companies have dramatically improved their balance sheets in recent years and today hold less debt and more cash. This means they are in a better position to weather disruption from COVID-19.

This has important implications: in general, they don't have to go back to financial markets or governments to ask for more money to stay afloat. That leaves them as masters of their own destinies and it also means they have the wherewithal to continue paying dividends.

This may prove to be particularly important as other sectors such as banks come under pressure to cut dividends, creating greater scarcity. Pension funds and other major investors need to generate income and the mining sector might find greater favour as other sectors reduce their payouts.

COMPELLING VALUE

These are shorter-term advantages specifically related to the COVID-19 crisis, but there are others: after seeing significant falls, mining companies are also benefitting from currency moves and the fall in oil prices. These factors have been beneficial to cost savings - freight costs have fallen, for example.

Equally, valuations look more compelling. While global growth will certainly be lower in 2020, we believe that economic stimulus measures in China will disproportionately benefit the mined commodity sector. Equally, there are early signs that the Chinese economy is starting to bounce back as life gets back to normal. The Asian Development Bank predicts growth of 2.2% across Asian economies in 2020, rebounding to 6.2% in 2021[1].

GOLD

The Trust also includes a weighting in gold companies. Gold has been a beneficiary of the recent turmoil in markets, as investors have worried about the impact of their stimulus measures on the value of currencies and financial assets. Gold has preserved its value over the long term, which is an attractive quality in today's uncertain environment. The opportunity cost of holding gold – because it pays no income – is also greatly diminished at times of lower interest rates. Around 40% of the portfolio is currently exposed to companies in precious metals, of which 90% is gold.

DE-CARBONISATION

There are also broad thematic trends that will continue to drive investment, which - we believe – will endure long beyond the impact of COVID-19 on the economy. De-carbonisation is one of the most significant. The desire of societies to reduce their carbon impact is unabated and we have built a part of the BlackRock World Mining Trust that stands to benefit from this trend. This crisis may even accelerate the change; as automakers restructure to cope with the crisis, they may be less willing to cut the areas, such as electric vehicles, which underpin their future growth. We have exposure to mining companies that produce many of the key metals for electric cars, such as lithium.

We would urge investors to set aside long-held notions about the mining sector. With investors increasingly looking for alternative and resilient income streams in the current environment, it holds considerable appeal. We believe the mining sector may be among the first to bounce back into a post coronavirus economic recovery as the miners continue to generate robust free cash flow and return capital to shareholders through dividends and buybacks.

For more information on this Trust and how to access the opportunities presented by mining, please visit www.blackrock.com/uk/brwm

[1]Asian Development Bank, April 2020
Unless otherwise stated all data is sourced from BlackRock as at April 2020.

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ID: MKTGH0420E-1163082-4/4

Inspecs is a great little stock that could thrive post-coronavirus

This vertically integrated eyewear frames maker has competitive advantages and a clear growth vision

Eyewear frames specialist **Inspecs (SPEC:AIM)** joined the stock market in February after raising £23.5m of new money by issuing stock at 195p. The Bath-based personal goods play got its IPO away before the coronavirus pandemic roiled equity markets and forced governments around the world to shut down their economies.

Inspecs has an eye-catching growth story to tell, eventually expects to pay a dividend that grows in line with earnings and the shares currently trade 11.5% below their recent issue price. So are the shares worth trying on for size for investors with a long-term view?

INSPECS IN FOCUS

Run by founder and chief executive Robin Totterman, Inspecs makes money through the design, manufacture and distribution of eyewear frames to global retail chains. The £122m company's broad range of frames covers optical, sunglasses and safety, and they are either branded or private label.

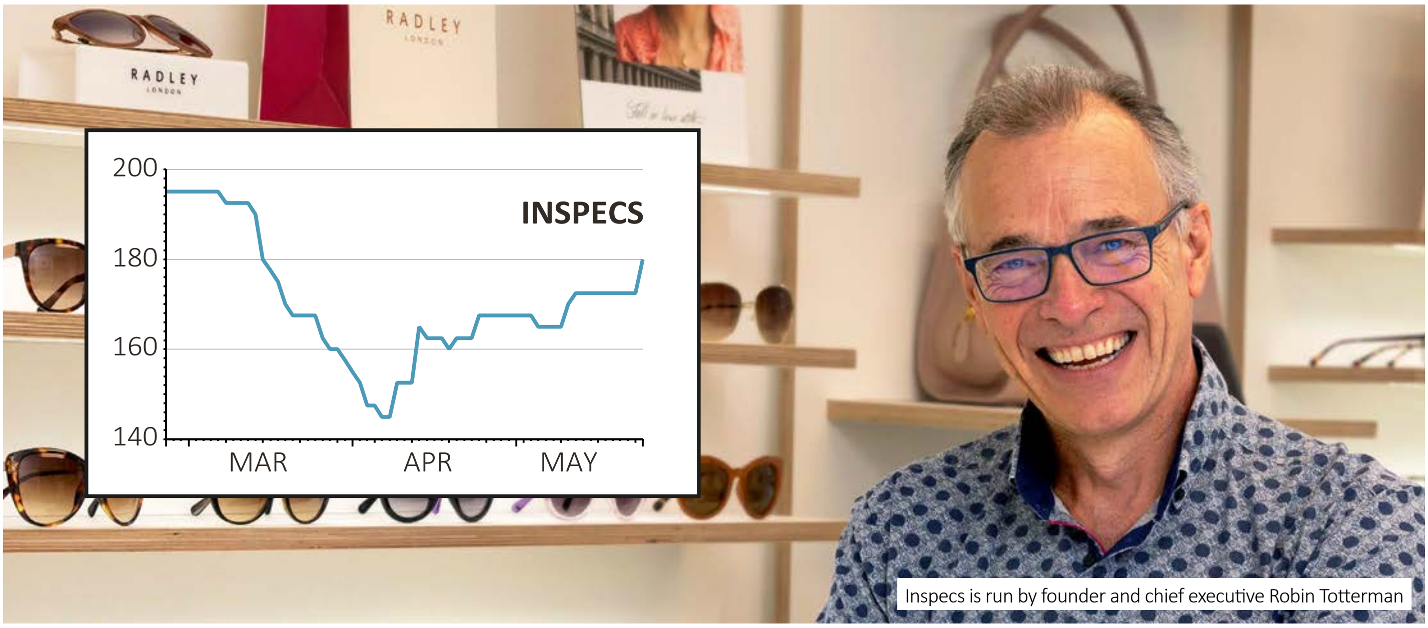
A key competitive advantage is Inspecs' vertically integrated business model. As one of only a few companies that can offer a one-stop-shop solution to global retail chains, fans of the business believe it is well positioned to continue taking market share in the expanding international eyewear market.

Its customers include global optical and non-optical retailers, global distributors and independent opticians, while the company's distribution network covers over 80 countries and reaches approximately 30,000 points of sale.

It is also worth noting that Inspecs is mainly focused on the affordable mid and entry level segments of the market, a strength if people are watching the pennies in the wake of the pandemic.

Key brands produced under licence include Superdry, O' Neill, Caterpillar, Radley and Hype, while major customers include opticians such as Specsavers, Boots, Vision Express and National Vision, as well as top retailers such as WalMart, **ASOS (ASC:AIM)**, **Next (NXT)** and TK Maxx.

Despite being a small company, Inspecs is also diversified in terms of its operations, which are spread across the globe: with offices in the UK, Portugal, Scandinavia, the US and China (Hong Kong, Macau, Shenzhen), and factories in Vietnam, China, London and Italy.



Inspecs is run by founder and chief executive Robin Totterman

LONG-TERM GROWTH VISION

A strongly cash generative business, in more ordinary times at least, Inspecs came to market with a strategy to continue growing organically, extend its manufacturing capacity and undertake further acquisitions.

There are lots of private businesses in the eyewear industry that would make attractive acquisition targets, although M&A moves will likely wait until the pandemic subsides and there is better market visibility.

Full year results published on 12 May showed a doubling of pre-tax profit to $7.35m for 2019 on sales up 6.9% to $61.25m. At the time of the joining the stock market, Inspecs had expected to pay a dividend for 2019, but management sensibly opted not to propose a distribution while it weighs up the full effects of the pandemic.

Most of Inspecs' customers have been forced to close during the lockdown; opticians were among the first to be shuttered due to the close proximity to their customers.

During a productive 2019, Inspecs generated roughly 25% of its revenue in the UK and 75% internationally, manufactured 4.55m eyewear frames, up 19.7% on 2018, and also doubled the size of its Vietnam factory to 8,800 square metres.

In recent months, Totterman's focus has been managing the impact of Covid-19 on its operations. Management has taken action to reduce costs, preserve cash and protect the balance sheet, leaving Totterman 'confident that we have a robust liquidity position which will see us through the challenges ahead'.

In the results announcement, the CEO stressed that over the long term, the structural growth drivers in the $131bn global eyewear market remain unchanged and people will still require vision correction.

Indeed, awareness over the need for regular eye examinations is growing and the number of ophthalmic disorders driven by ageing populations is rising.

According to EssilorLuxottica, myopia (near-sightedness) is forecast to affect 4.7bn people by 2050, up from around 2.6bn today, while presbyopia (long-sightedness) is expected to affect 4.1bn by 2050, versus 2.3bn currently.

Increasing prosperity in emerging markets should power sales of fashionable eyewear. People are becoming more aware of the damage done by sunlight and blue light from increased screen usage, while a faster frames replacement cycle is yet another industry growth driver.

Albeit a small part of the market, online is expected to increase share as web-based help, smart search and virtual try-on technologies improve.

EYES WIDE OPEN

Investors considering pocketing the stock should go in with their eyes wide open nevertheless. Risks to consider include the fact that Inspecs is dependent on a fairly concentrated customer base – the top five customers accounted for 48% of sales in 2018 – and it could be hit by increased levels of competition from rival manufacturers and wholesalers able to prise away customers with more attractive terms.

Another risk factor is the potential failure to re-sign winning licensed brands, which would also have a material negative impact on the numbers. The increased use of contact lenses and laser eye surgery are long-run considerations that risk-averse investors might also weigh.

In the short-term, sales are being impacted by Covid-19 related disruption, yet *Shares* believes Inspecs will see an improving trend as opticians gradually reopen.

Management expects a 'very active' Q4 and possibly Q3 when the effects of the virus on the industry will be clearer. Inspecs says: 'People will still need vision correction, and the likelihood is that there will be greater demand from more value-driven retailers, which encompasses our main key accounts.'

Broker Peel Hunt sees Inspecs as a major beneficiary of changes to supply chains, particularly given the expansion of its Vietnamese facility. It says: 'We see the potential for material orders with both existing and new customers.'

The broker points out that even before the coronavirus pandemic hit, Inspecs was in talks with the major retailers over significant increases in order sizes. This process has only accelerated during the Covid-19 crisis, because retailers want a secure supply chain and diversification away from China. A number of the major brands are also looking at their supply chains too.

The crisis has created new opportunities for Inspecs, which has played its part in the national effort to combat COVID by supplying the NHS with safety glasses.

'Sales in the current year will be depressed,' concedes Peel Hunt, 'but the issue next year is likely to be the ability to cope with the scale of demand.' The broker also points out Inspecs is well-funded and in a strong position to emerge from this period with greatly enhanced prospects.

EARNINGS EXPECTATIONS

Peel Hunt forecasts a drop in pre-tax profit to $3.6m during a heavily disrupted 2020, recovering to $12.7m in 2021 and $13.9m in 2022.

Based on forecast earnings of 15.5 cents (12.6p) for 2021, the shares aren't egregiously expensive at 13.7 earnings times. Patient income hunters should also note that Peel Hunt has pencilled in dividends of 2 cents (1.6p) for 2021 and 2.5 cents (2p) for 2022. That implies a yield in the region of 1% which is fairly low but likely to improve in the coming years.

SHARES SAYS:

Inspecs has a resilient, vertically integrated business model and a compelling vision for long-run global growth.

Being a small, agile player, it should be able to grow faster than the overall market when the global economic deep freeze thaws, while also improving margins as it scales and benefits from operational leverage. The shares are worth buying now if you're happy to accept a few bumps along the way.

INSPECS' EARNINGS PROFILE

Year	Sales ($m)	Pre-tax profit ($m)	EPS (cents)	DPS (cents)
2019	61	9.9	12.7	0
2020*	40	3.6	3.6	0
2021*	70	12.7	15.5	2
2022*	75	13.9	16.7	2.5

Source: Company accounts, *Peel Hunt estimates

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

I need help understanding share price movements on ex-dividend day

Stock movements often fail to reflect the amount of cash leaving a company's balance sheet

I'm puzzled by the reaction to a share price when it goes ex-dividend. By paying a dividend, cash of a certain amount per share is paid out by the company and leaves the balance sheet. This should mean the company's share price, and its market value, reduce by an equivalent amount, but that does not always seem to be the case. So how does this work?
Trevor

News editor **Steven Frazer** replies:

Your assumption is correct but there may be a multitude of other factors at play that exert an influence on a company's share price on ex-dividend day, when anyone buying the stock is no longer eligible for that dividend.

Let's imagine hypothetical electronics group Company X has 100m shares in issue and trading is at 100p per share. This gives it a market value of £100m. The company decides to pay a dividend to its shareholders of 2p per share, or £2m in total.

This means that on ex-dividend day, all else being equal, the share price falls to 98p and its market value drops to £98m. The decline in value is the market's way of saying that the cash for the 2p per share dividend can no longer be counted in the company's assets as it will soon be paid to shareholders.

However, there are various reasons why a share price could actually rise on ex-dividend day, rather than fall by the exact amount of cash earmarked to leave the company's bank account.

For example, let's say there are rumours that a major electronics manufacturer is about to release a new product which is expected to be a big hit with consumers. Investors speculate who might be supplying some of the components for this new product and bid up shares in Company X.

Another scenario might see positive economic data on the manufacturing sector which encourages investors to become more interested in stocks active in this area. That might encourage more buying in Company X shares.

There might also be a positive tailwind for equities across the board from government or central bank policy decisions.

Ultimately share prices are influenced by lots of factors.

DO YOU HAVE ANY QUESTIONS ABOUT MARKETS AND INVESTING?

Let us know if we can help explain how something works or any other question relating to markets and investing. We'll do our best to answer your question in a future edition of *Shares*.

Email editorial@sharesmagazine.co.uk with 'Reader question' in the subject line.

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

How does the pensions test at age 75 work?

Our resident pensions expert deals with a query on the lifetime allowance

Can you please explain how the lifetime allowance test at age 75 works? My fund is in drawdown and has been hit hard by the pandemic, so I'm tempted to withdraw some or all of it now. If I do this will the money I take out be tested?
Chris

Tom Selby
AJ Bell
Senior Analyst says:

The amount you can save in a defined contribution (DC) pension such as a SIPP is controlled by two allowances – the annual allowance, which caps the amount you can contribute each year, and the lifetime allowance, which limits the amount you can take out.

The lifetime allowance is set at £1,073,100 for 2020/21 and rises each year in line with CPI inflation.

When you choose a retirement income route for some or all of your pension pot – such as entering drawdown, taking an ad-hoc lump sum or buying an annuity – you will use up some of your lifetime allowance. In pension rules the check on how much lifetime allowance you have used up is referred to as a lifetime allowance 'test'.

There are 13 'benefit crystallisation events' (crystallisation just means choosing a retirement income option such as drawdown) which can trigger a lifetime allowance test. Each test uses up a percentage of your available lifetime allowance.

For example, take someone with a £400,000 pension fund in 2020/21 who takes their 25% tax-free cash (£100,000) and puts the remaining £300,000 into drawdown. This would trigger two lifetime allowance tests.

The first test would be on the £100,000 tax-free cash. This would have used up 9.31% of their available £1,073,100 lifetime allowance (£100,000/£1,073,100).

The second test would be on the £300,000 put into drawdown. This would have used up 27.95% of their available lifetime allowance (£300,000/£1,073,100).

Note that the percentage of lifetime allowance used up is always to two decimal places and always rounded down.

AGE 75 TEST

An additional lifetime allowance test will be carried out when you reach age 75, covering all funds you hold within your DC pensions. This test will be applied regardless of whether the funds have been crystallised or not.

With regards to any money invested via drawdown, the test simply compares the value of your total fund at age 75 with the value of your fund when you entered drawdown.

In the previous example, if the value of the drawdown fund increased from £300,000 to £350,000 by the time the person reached age 75, then the extra £50,000 would be subject to a lifetime allowance test.

If you exceed the lifetime allowance in a SIPP then you have two options: leave the excess in the SIPP and pay a charge of 25% on the funds, or take it out and pay a charge of 55%.

If tested at age 75, the lifetime allowance tax charge will always be 25%. In addition you'll pay income tax on your money when you do come to withdraw it post-75.

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

Pocket money apps: what are they and which is best?

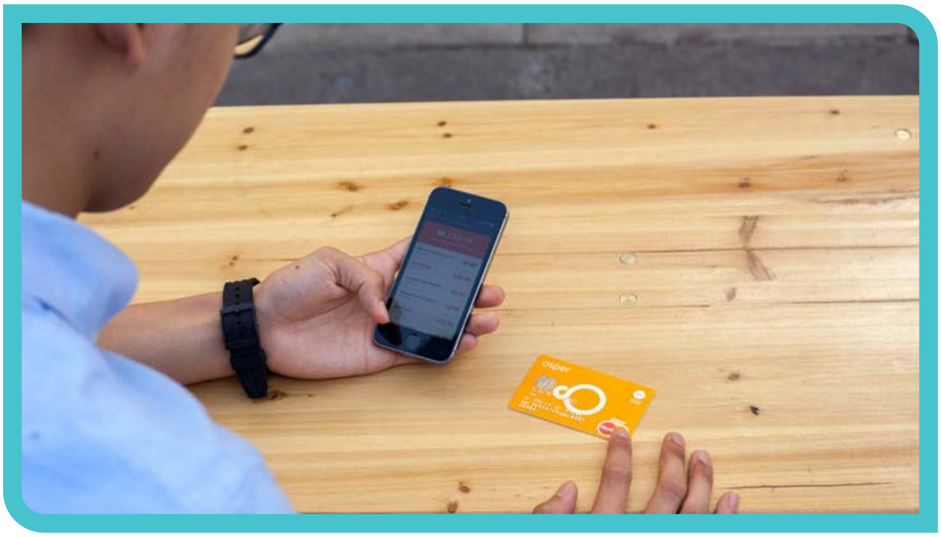
We see what the most popular ones have to offer including GoHenry, Osper and RoosterMoney

For many families it now seems old fashioned to hand over some shiny coins to your child each week to be deposited into a piggy bank. These days many parents have turned to apps to pay their children pocket money and keep track of where they are spending it.

In the UK the most popular ones are GoHenry, Osper and RoosterMoney, each of which will charge you for the service. The apps allow you to transfer the pocket money to your children electronically, and they can then spend the money by using a debit card.

The apps vary slightly in how they work but they also allow your children to separate out their money into different pots, including ones for saving – for the summer holidays or a bigger toy, for example – and leave other money for day-to-day spending, such as in the sweet shop or on computer game apps.

To get an idea of how they work, here's a run-down of what each app offers:



GOHENRY

You load up an account with money and your child gets a debit card so they can spend the money, but they can only spend what's on the account so they can't get into debt.

This costs £2.99 a month per child (which comes out of your costs, not from your child's pocket money) but it is offering the first month free.

A Visa card per child is included or you can pay a bit more at £4.99 to customise the card or to get its new EcoCard, which is biodegradable and a tree is planted when it's first used. There's no minimum contract, so you can cancel whenever you like.

The monthly cost only gets you one top-up per month, any more than that costs 50p each time. However, this top-up is for the 'parent account' and you can then move money into your kids' accounts each week or for one-off payments.

Parents can also set weekly spending limits, or spending limits per single item, and choose whether the card can be used in shops or just to withdraw money at a cash machine.

You can also block a card in case it gets mislaid or you want to curb your child's spending. There's an option for children to donate some of their pocket money to NSPCC too.

ROOSTERMONEY

This works the same as GoHenry in that you load a card with money that can then be spent by the child in shops and to get cash out. You can block and unblock the card, set spending limits and get notified when they spend money. The cost is £24.99 a year, with the first month free, with additional children in the same family costing £19.99 a year.

If you don't want to get the card RoosterMoney has other options, as it originally started as a pocket money tracking app. So for free you can get a sort-of virtual star chart, where you set tasks they have to complete and they get stars that can then convert into real-life rewards.

The selling point is that instead of a physical star chart you can take this away on holiday with you, but otherwise it doesn't offer much more than the classic star chart pinned to the fridge.

The next step up has more features and allows you to set up interest rates to encourage savings and add regular costs, to help them with budgeting. This costs £14.99 a year, with the first month free.

OSPER

This works the same as the previous card options, with a Mastercard for your child that's pre-loaded with money for them to spend. It costs £2.50 per month per child, with the first month free.

Your child can pick savings goals that they want to save their money for, like a new game or toy. And as the parent you can track where they spend their money, and choose whether they can spend money online or not.

The app also categorises where they spend their money, to help show them how they can budget or save money.

NIMBL

This app works much the same as the others, and costs £2.48 a month with the first month free, but with no charge for top-ups from parents. This app also lets family and friends transfer money onto the card for free too.

One extra feature it has above the others is the round-up feature, where children can pick an amount that's saved each time they use their card, from 5p to £5, in order to help them build up savings.

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

HOW MUCH SHOULD I PAY?

The hotly contested topic among parents is the amount you should give your children for pocket money. Should it be the same for each child or be higher depending on age, contingent on doing chores, and paid weekly or monthly?

RoosterMoney has looked at the average payouts to give you a guide. Firstly, it definitely increases with age, so a four-year-old gets on average £3.13 a week while a 14-year-old gets £7.54 a week on average.

The money app recommends giving cash regularly, rather than in lump sums sporadically, as it helps to teach children about budgeting.

Among the other jobs parents using the app regularly pay for is around £4 for washing the car, around £3 for gardening work and just over £1 for hoovering. It also has this top tip: 'Remember, small amounts are fine, your kids can develop their negotiation skills as they go.'

POCKET MONEY BY AGE (AVERAGE)

4-year old	£3.13	9-year old	£4.62
5-year old	£3.24	10-year old	£5.05
6-year old	£3.41	11-year old	£5.50
7-year old	£4.13	12-year old	£6.24
8-year old	£4.27	13-year old	£7.18
		14-year old	£7.54

Source: RoosterMoney

Understanding bonds and how to invest in them

Adding bonds to an investment portfolio increases diversification and provides more secure sources of income

Bonds are an important asset class in the world of investing, providing diversification benefits as well as income. In times of market stress, bonds have historically provided defensive characteristics.

First-time investors should use investment funds as the easiest way of adding bonds to their portfolio.

WHAT ARE BONDS?

Governments and companies can raise cash by issuing bonds, which are like IOUs. They sell the bonds to investors in exchange for cash which they have to repay over an agreed timeframe – this can range from a few months to 30 years.

They also have to pay a regular interest payment to the investor which is called 'the coupon'. In most cases the coupon remains fixed until the end of life of the bond.

The issue price of the bond is called 'par value' and once the bond term ends, referred to as 'maturity', the initial amount of money received for the bond is paid back at par value.

With bonds, the investor (the person buying the bond) has to weigh up the creditworthiness of the borrower (the entity issuing the bond), especially in higher risk corporate bonds, because there is always a chance that the original capital will not be paid back in full.

In other words, be careful about bonds that pay a seemingly high rate of interest as you may not get all your original cash back.

UK GOVERNMENT BONDS

Government bonds are referred to as Gilts in the UK and issued by the Treasury. They are considered very safe, partly because the government has the power to raise taxes to service and repay its debts.

One example of an exchange-traded fund that tracks the price of UK Gilts is **Lyxor FTSE Actuaries UK Gilts 0-5yr UCITS ETF (GIL5)**.

Longer-dated bonds pay higher coupons than shorter-dated bonds, partly because investors demand a higher rate to cushion them against future inflation risk and partly because there is always a small risk that the bond might not be repaid.

For example the current 30-year Gilt has a fixed coupon of 1.75% a year, while the two-year bond pays 0.5%.

WHAT IS THE YIELD TO MATURITY?

Receiving only 1.75% a year for 30 years may sound miserly, but in fact it's currently much worse than that.

At the time of writing, the buy price of the bond was 127.6 and at maturity the investor will be repaid at the original issue price (or par value) of 100. This means investing now would lock in a capital loss of 21.6% if held to maturity. However the investor would still get interest payments along the way.

So taking into consideration the capital loss and the annual interest payment of 1.75% a year for 30 years will result in the investor actually receiving only 0.68% a year. This is called the 'yield-to-maturity'.

The yield to maturity of the two-year bond is slightly negative at the time of writing. Investors are guaranteed to lose money if they hold these bonds until maturity. However, fund managers will still buy these bonds if they believe interest rates will become negative in the future, providing capital gains.

Bond prices rise as yields fall, so in the above example fund managers would look to make a profit by selling the bond at a higher price than they paid and not holding the bond until it matured.

OVERSEAS GOVERNMENT BONDS

Investors may want to look at different countries and their government bonds in order to achieve higher rates of interest.

This effectively narrows the list down to emerging markets where economies are growing faster and interest rates are higher.

Two examples of funds that invest in this area are **M&G Emerging Markets Bond Fund Sterling (B4TL2DS)** and **Vanguard USD Emerging Market Government Bond UCITS ETF (VEMT)**.

CORPORATE BONDS

Companies can raise money by issuing corporate bonds to investors in return for paying them an annual or semi-annual fixed rate of interest.

One crucial difference compared with government bonds is that most companies don't have cash flows that are as reliable as the government's tax receipts. This introduces more credit risk.

Investors in corporate bonds need a full understanding of the issuing company's finances in order to access the likelihood of receiving their money back. This requires the ability to analyse cash flow statements and balance sheet strength, as well as grasping industry profitability dynamics.

Many investors – both first-timers and more experienced ones – can't or don't want to do this, which is why it is easier to buy a bond fund where a skilled fund manager is selecting the bonds, or an exchange-traded fund which just tracks a broad basket of bonds.

Corporate bonds are considered more risky and consequently pay higher coupons than government bonds.

Ratings agencies specialise in assessing the riskiness of bonds and sell their research to fund managers, although it should be mentioned that companies themselves pay the ratings agencies, so there is an inherent conflict of interest.

Corporate bonds are classified into investment grade and non-investment grade. Some fund managers have mandates which restrict them to investing in investment-grade only, while some managers specialise in non-investment grade, also called junk bonds.

The riskier bonds are issued by companies with weak fundamentals and heavily indebted balance sheets, hampering their ability to repay debts. But, for specialists willing to put in the work, this part of the bond market can be a good hunting ground for mispriced securities.

An example of an exchange-traded fund tracking a basket of corporate bonds issued by large cap high quality companies is **iShares GBP Corporate Bond UCITS ETF (SLXX)**.

For exposure to high yield bonds there are funds such as **Baillie Gifford High Yield Bond Fund (3081671)**.

By **Martin Gamble**
Senior Reporter

BOND RATINGS AGENCIES CODING

Standard & Poors	Moody's	Grade	Risk
AAA	Aaa	Investment	Lowest
AA	Aa	Investment	Low
A	A	Investment	Low
BBB	Baa	Investment	Medium
BB	Ba	Junk	High
B	B	Junk	High
CCC/CC/C	Caa/Ca/C	Junk	Highest
D	C	Junk	In Default

Source: Shares, S&P, Moody's

KEY

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

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full year results

29 May: Urban Logistics REIT, Volvere. **1 June:** Sirius Real Estate. **2 June:** Card Factory, Halfords, Vianet. **3 June:** Angling Direct. **4 June:** Allied Minds, Auto Trader, Mitie, Pennon, Renewi.

Half year results

29 May: Benchmark. 1 June: Hollywood Bowl.
3 June: SSP.

Trading statements

29 May: Eve Sleep. **4 June:** Go-Ahead.

WHO WE ARE

EDITOR: Daniel Coatsworth @Dan_Coatsworth

DEPUTY EDITOR: Tom Sieber @SharesMagTom

NEWS EDITOR: Steven Frazer @SharesMagSteve

FUNDS AND INVESTMENT TRUSTS EDITOR: James Crux @SharesMagJames

SENIOR REPORTERS: Martin Gamble @Chilligg
Ian Conway @SharesMagIan

REPORTER: Yoosof Farah @YoosofShares

CONTRIBUTORS Russ Mould, Tom Selby, Laura Suter

ADVERTISING
Senior Sales Executive
Nick Frankland
020 7378 4592
nick.frankland@sharesmagazine.co.uk

PRODUCTION
Head of Design Darren Rapley
Designer Rebecca Bodi

CONTACT US:
support@sharesmagazine.co.uk

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THIS WEEK: 15 PAGES OF BONUS CONTENT

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INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

MAY 2020

ISSN 2632-5748

Introduction

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

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

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

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

These profiles are paid-for promotions and are not independent comment.

As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

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

Click here for details of upcoming events and how to register for free access.

Previous issues of Spotlight are available on our website.

Revealed: the AIM stocks which have performed best through the crisis

Many innovative smaller companies have richly rewarded investors this year

Like the wider market many AIM stocks have bounced back strongly from the coronavirus correction. Online retailer **Boohoo (BOO:AIM)** has doubled from its lows as it has brushed off concerns about a big demand hit to its business.

Some innovative smaller companies have continued to perform well throughout the crisis, including numerous businesses which are either unaffected by the virus and those which stand to benefit from the implications of Covid-19 and its associated lockdowns.

JOINING THE BATTLE AGAINST CORONAVIRUS

The list of AIM companies which have performed best since the sell-off began in earnest on 20 February is unsurprisingly dominated by healthcare stocks, many of which are involved in the fight against the pandemic.

Top of the tree by some distance is diagnostics outfit **Genedrive (GDR:AIM)**. The company has developed a test for Covid-19 and says it has developed capacity to be able to manufacture 10,000 tests per hour, which will go live before the end of May.

In addition the company is working towards launching a point-of-case test for use outside of hospitals, in clinics

TOP 20 BEST AIM PERFORMERS THROUGH THE CRISIS

Company	Performance since close 20 Feb (%)
Genedrive	1660
Avacta	480
Novacyt	392
Synairgen	275
Omega Diagnostics	275
e-Therapeutics	221
Condor Gold	163
Open Orphan	141
Tiziana Life Sciences	136
Venture Life	98
Naked Wines	87
Greatland Gold	86
Best of the Best	71
ITM Power	62
Bango	60
Oncimmune	57
Trans-Siberian Gold	55
Caledonia Mining	53
Frontier Developments	49
LoopUp	47

Source: Sharepad, 21 May. Note: only includes companies above £50m market cap.

Frontier Developments has performed strongly

or other centres where rapid testing is required.

Biotherapeutics specialist **Avacta (AVCT:AIM)**, Paris-based **Novacyt (NCYT:AIM)** and pharma services firm **Open Orphan (ORPH:AIM)** are others whose share prices have been fired upwards by the development and deployment of prospective tests for the virus.

Respiratory disease firm **Synairgen (SNG:AIM)** has enjoyed strong momentum as it makes significant progress with the development of its SNG001 drug which could provide a means of tackling coronavirus infections earlier in the course of the disease. The results of a trial are due in June.

As increasing numbers of office workers have been confined to their homes, video conferencing has been in heavy demand and this has supported shares in **LoopUp (LOOP:AIM)**. The virtual meetings specialist said on 6 May that revenue in the January to April period was up 40% year-on-year as it guided for a beat to current expectations.

LOCKDOWN DISTRACTIONS

Several other firms have seen increased demand as we look to distract ourselves from the rigours of lockdown. Online wine seller **Naked Wines (WINE:AIM)** saw demand increase as social distancing measures were introduced, with revenue for the year to 31 March 2020 expected to be slightly ahead of expectations. The 2019 sale of the Majestic Wine brand and physical stores has proved to be very well timed in hindsight.

Computer games firm **Frontier Developments (FDEV)** has also performed strongly, raising full year guidance twice in May as people's appetite for an escape from the crisis has increased. On 20 May it announced operating profit for the 12 months to 31 May would be above the top end of previous guidance.

Frontier's most recent release, *Planet Zoo*, has achieved unit sales of 1m in less than six months making it the company's biggest PC launch to date.

Other Frontier games have also reached revenue milestones with *Elite Dangerous* exceeding the 3.5m threshold in April while *Jurassic World Evolution* passed 3m unit sales in March. Meanwhile *Planet Coaster* crossed 2.5m unit sales during January.

People have also been drawn to **Best of the Best's (BOTB:AIM)** prize draws, with the company recently upgrading expectations for the year to 30 April. Its results will be published in full on 25 June.

GLITTERING PERFORMANCE

As people looked for safe havens amid market turbulence, gold prices have risen and that has been good news for the junior market's gold miners.

Shares in **Condor Gold (CNR:AIM)** hit a one-year high as an increased price for the precious metal made investors more confident about the miner's La India project development in Nicaragua.

On 11 May **Caledonia Mining (CMCL:AIM)** announced a material increase in gold production for the first three months of 2020. Investors have also been attracted to the stock for its dividend-paying qualities.

Among other firms relatively unaffected by coronavirus, mobile payments group **Bango (BGO:AIM)** recently signed a significant deal with a major global telecoms group, while hydrogen energy play **ITM Power (ITM:AIM)** has built on its momentum of the last 12 months.

On 30 April ITM secured a £10m agreement in the UK to supply an 8 megawatt electrolyser, a low carbon device used to generate hydrogen.

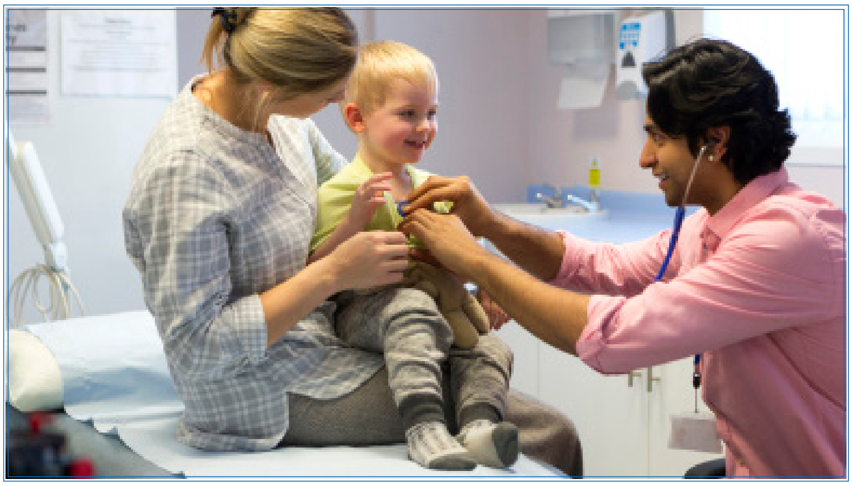
Diurnal
a revenue generating biotech

www.diurnal.co.uk

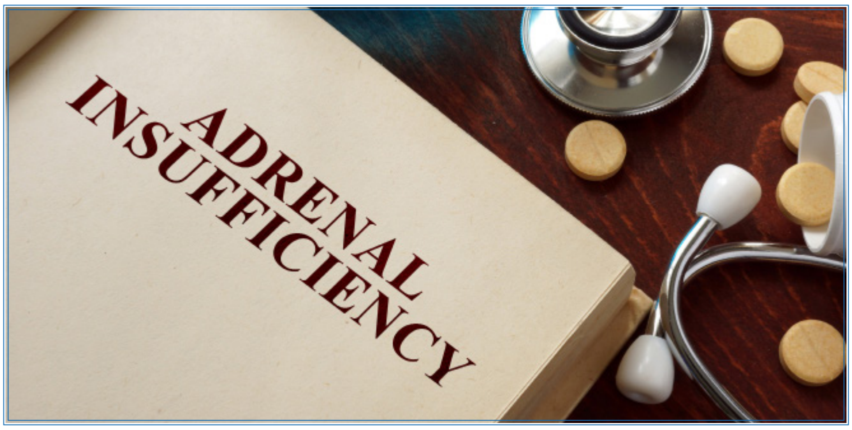
AIM-quoted **Diurnal (DNL:AIM)** believes it can become one of the few UK biotechnology companies to successfully take multiple products from concept to commercialisation.

Diurnal's vision of becoming a world-leading endocrinology specialty pharma company is underpinned by the development of a strong commercial business in Europe. It is initially focused on delivery of its lead products Chronocort (modified release hydrocortisone) and Alkindi (hydrocortisone granules in capsules for opening) for patients suffering from the orphan diseases congenital adrenal hyperplasia (CAH) and adrenal insufficiency (AI), a potential market worth $2.1bn.

The company is also seeking to maximise the value of its products in the rest of the world, in particular to address large opportunities for CAH and AI in the US (c. $1.1bn market) and Japan (c. $0.4bn market), as well as other valuable markets around the globe.



Diurnal's pipeline was recently strengthened following the successful completion of the first clinical study with DITEST, its native oral testosterone replacement product targeting a potential market worth $4.8bn.



REVENUE GROWTH DRIVER

Alkindi is the first product specifically designed for young children suffering from paediatric AI, and the related condition CAH.

It is licensed in Europe and has been proven to be effective, easy to administer and has a safety profile similar to other hydrocortisone products.

Given the specialist prescribing base, and to retain the maximum commercial value of the product, Diurnal is commercialising Alkindi itself in larger European markets.

Diurnal has now launched the product directly in the

UK, Germany, Austria and Italy, and with its distribution partner Frost Pharma in Sweden, Denmark, Norway and Iceland.

Alkindi's revenue for the six months to 31 December 2019 were £1.1m, representing year-on-year growth of over 500%, driven by continued gains in Germany and the UK as well as new launches in the Nordic region. Diurnal expects that future country launches will accelerate Alkindi revenue growth.

BIG US POTENTIAL

Following the submission of its new drug application package for Alkindi Sprinkle (the proposed US name) with the US Food and Drug Administration (FDA) in November 2019, Diurnal announced in February 2020 that the application had been accepted for review by the FDA. The earliest date at which approval could occur is 29 September 2020.

In March 2020 Diurnal announced an exclusive licence agreement for Alkindi Sprinkle in the US with Eton Pharmaceuticals. Diurnal received a non-refundable upfront payment of $5m ($3.5m in cash and $1.5m in Eton shares). It will receive an additional $2.5m cash milestone payment upon first commercial sale in the US following regulatory approval and grant of orphan drug status (currently anticipated in Q4 2020).

IN MARCH 2020 DIURNAL ANNOUNCED AN EXCLUSIVE LICENCE AGREEMENT FOR ALKINDI SPRINKLE IN THE US WITH ETON PHARMACEUTICALS.

Diurnal will receive a tiered royalty on sales and is also due tiered sales-based milestone payments of up to $45m. It will be responsible for obtaining registration for Alkindi Sprinkle in the US and Eton will be responsible for all commercialisation activities, including pricing and reimbursement.

PLANS FOR CHRONOCORT

Diurnal's second product candidate, Chronocort, provides a drug release profile that it believes better mimics the body's natural cortisol circadian rhythm, which current therapies are unable to replicate, and is designed to improve disease treatment for adults with CAH, as measured by androgen (male sex hormone) control.

In October 2018, the group announced headline results from its European pivotal Phase III clinical trial of Chronocort for the treatment of CAH in adults, the largest interventional study conducted to date in this patient population.

Chronocort had been able to demonstrate 24-hour control of androgens in the Phase III trial; however, it did not meet the primary endpoint of superior control compared to conventional glucocorticoid therapy.

Subsequently, Diurnal performed a detailed analysis

of the study data, identifying important differences between Chronocort and the control arm of the trial. It also analysed interim data from an ongoing safety extension study, where a number of patients have been treated for at least 30 months and show sustained benefit from prolonged Chronocort treatment.

Based on these findings, and a positive scientific advice meeting with the European Medicines Agency (EMA) in Q2 2019, Diurnal submitted a marketing authorisation application (MAA) for Chronocort in December 2019; in March 2020 Diurnal announced that the EMA had validated the MAA submission, putting Chronocort on track for potential approval in Europe in 2021.

In the US, Diurnal has designed a Phase III registration package for Chronocort, intended to recruit up to 150 patients with CAH. Diurnal is currently assessing the optimal route to initiate this study, either through identification of a development and commercialisation partner, or through in-house development, subject to accessing additional financing.

EARLY STAGE PIPELINE

Diurnal aspires to be a significant participant in the endocrinology field with a pipeline of therapies targeting multiple endocrine disorders where patient and clinical needs are underserved.

Its long-term plan is to expand into endocrine disease areas such as those associated with the thyroid, gonads and pituitary, representing multi-billion dollar market opportunities.

In Q4 2019, Diurnal announced positive headline results from its DITEST Phase I proof-of-concept clinical trial. In this study in 24 hypogonadal men, DITEST was shown to achieve testosterone levels within the healthy young male adult normal range after oral administration, with levels that were less variable than testosterone undecanoate (a modified oral testosterone treatment).

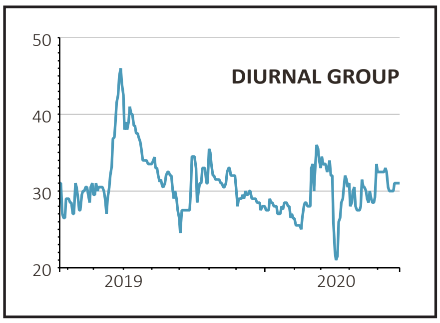
It also showed there was no impact on the absorption of testosterone from DITEST whether taken with either food or in the fasted state, representing a major difference with testosterone undecanoate. Diurnal is currently discussing the next development steps for DITEST with the FDA.

WELL-FUNDED FOR FUTURE GROWTH

Reflecting the strong progress across its portfolio, Diurnal was able to complete a £11.2m placing in March 2020. Combined with upfront payment from Eton, the board believes the company has enough cash to take it through to profitability based upon current plans and assumptions, including expectations regarding the timing of product approvals and sales projections.

If approved by the EMA, Chronocort will join Alkindi to enlarge the group's commercial cortisol replacement therapy franchise. This should enable Diurnal to build a strong and profitable European business through penetration of the combined addressable market for the treatment of CAH and paediatric AI, which is estimated to be worth over $300m in Europe alone.

The group is well positioned to build on its Alkindi success and to become a fast growing, independent, international specialty pharmaceutical company focusing on creating products that address unmet patient needs in endocrinology.



Kore eyes low-cost potash production as fertiliser demand grows

www.korepotash.com

Kore Potash (KP2:AIM) intends to be the lowest cost supplier of potash to African and South American agricultural markets. It will produce the fertiliser needed to improve the quality and quantity of food available to a growing global population in a sustainable way.

WHAT IS POTASH?

Potash is the name for fertiliser containing potassium, one of the three key nutrients all plants need to survive, along with nitrogen and phosphorus. Potassium is used by plants to regulated CO2 intake, resist disease, protect against harsh weather conditions, and is vital to leaf and root system health.

In short, potash is a 'must have' fertiliser not a 'nice to have'. Without enough potash, crop yields for farmers are poor and over time potassium-deprived soil becomes inhospitable to crops.

Potassium is known as the 'quality nutrient' because of its important effects on factors such as size, shape, colour, taste, shelf life, fibre and other quality-related measurements.

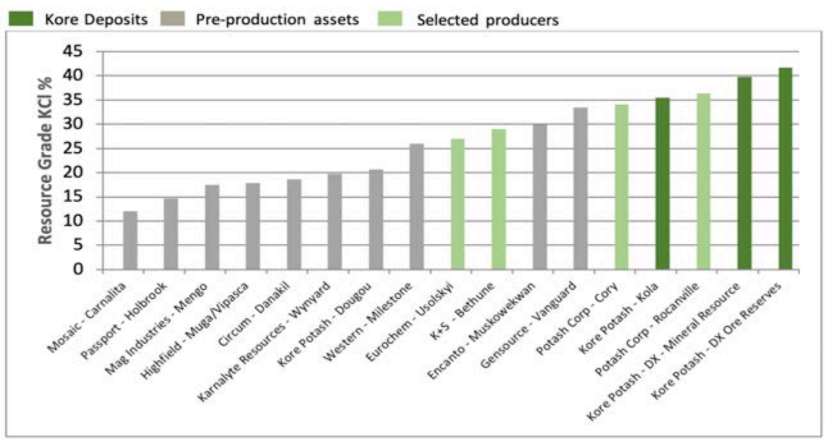
HOW MUCH POTASH IS USED WORLDWIDE?

In 2019 worldwide demand for potash was 64.3m tonnes, about 95% of which was bought and used by farmers to boost crop yields. The amount of potash used by farmers is going up each year.

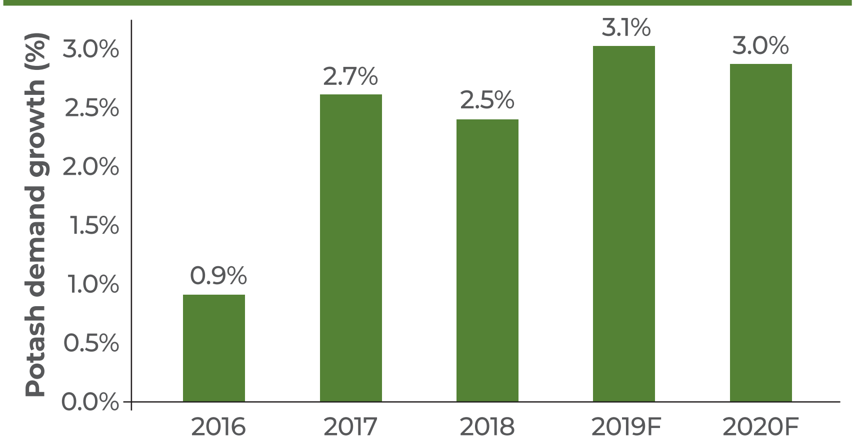
According to the World Bank secular factors means this trend is likely to be long term and durable as the world will need to grow 50% more food by 2050 to feed an anticipated population of 9bn people, while the United Nations Food and Agriculture Organisation says that the amount of global arable land available per person is in decline.

All of this means that more fertiliser needs to be produced

DX IS THE HIGHEST GRADE KNOWN POTASH DEPOSIT IN THE WORLD



DEMAND FOR POTASH IS GROWING EVERY YEAR



Source: United Nations Food and Agriculture Organisation (UN FAO) to boost yields from existing arable land.

WHERE DOES KORE POTASH FIT INTO THE MARKET?

Kore is developing globally significant potash deposits in the Republic of Congo (known as the RoC, and not to be confused with its larger, less politically stable neighbour, the Democratic Republic of Congo, or DRC).

The company's mining licences cover the Sintoukola potash basin, one of the largest undeveloped potash deposits in the world with over 6bn tonnes of potash mineral resources at very high grades, with the potential to produce potash for generations.

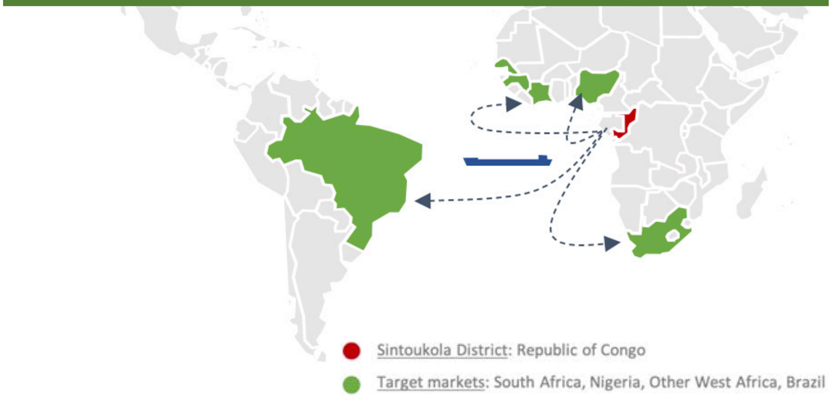
The assets Kore is developing are just 12km from the coast and 350m below ground level. This means that Kore has much shorter shipping distances and a lower environmental impact than existing potash producers, which tend to be hundreds or thousands of kilometres inland and well over a kilometre deep.

At present much of the potash is supplied by a small number of large suppliers, and Kore's scheduled production of 400,000 tonnes per year can be easily absorbed by local demand in Africa, and by Brazil which is close to the RoC and a major fertiliser consumer.

WHO RUNS KORE POTASH?

Kore Potash is run by very experienced team. Kore's chairman, David Hathorn, was formerly the long-term CEO of Mondi, the paper and packaging business, overseeing its spinout from Anglo American and growth into a FTSE 100 stock. Kore's chief executive, Brad Sampson, has more than 35 years' experience in the resources industry. He has led the successful turnaround of mining businesses in Africa and has previously been the CEO of Discovery Metals and held general manager roles at Gold Fields operations.

KORE'S POTASH ASSETS ARE VERY CLOSE TO TARGET MARKETS



RECENT DEVELOPMENTS

Kore Potash has just completed a preliminary feasibility study (PFS) on its first potash deposit, DX. This is a vital step in the development of any mining project. It is a detailed scientific and commercial survey of the scale of the deposit, the likely cost of developing a mine at the site, and the profitability of producing minerals in the future.

The PFS for the DX project shows that it has the lowest development cost of any other potash mine owned by a listed company, and the lowest production costs per tonne of KCl (the active ingredient in potash fertiliser).

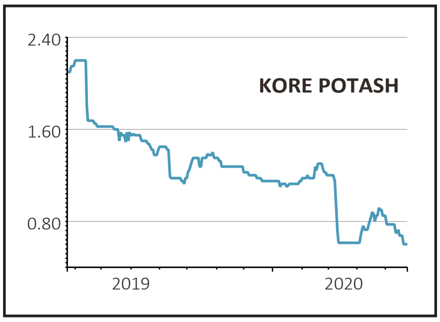
In addition, the PFS shows that DX would be in production after a construction period of only 21 months – very short in mine development terms.

The internal rate of return for the DX project is assessed at 22.9%, with a capex of $286m, giving world leading operating costs of $65 per tonne and an initial mine line of 18.4 years.

Low cost production combined with much shorter shipping distances to target markets than existing potash producers means the potash Kore produces from its DX mine will be able to profitably compete on price against all existing potash suppliers, and should be increasingly profitable in difficult environments with high shipping costs and low commodity prices.

WHAT ARE THE NEXT STEPS FOR KORE POTASH?

Kore is moving rapidly to undertake a definitive feasibility study (DFS) for the DX Project, to move the company into production and cash flow as soon as possible. Once started, the DFS is expected to take 12 months to complete, catalysing value for shareholders.



Open Orphan's role in the fight against coronavirus

www.openorphan.com

Listed on both London's AIM market and Dublin Euronext, **Open Orphan (ORPH:AIM)** is playing a vital role in the global fight against coronavirus. In January 2020, Open Orphan merged with hVIVO, which is currently leading the charge in the world's attempt to find a vaccine against coronavirus.

hVIVO commenced the development of a commercial human coronavirus challenge study model in March 2020 and began testing for an anti-viral treatment for COVID-19 on behalf of its client Nearmedic International in April 2020.

More recently, Open Orphan has entered into a contract with Nasdaq-listed Quotient to be its exclusive provider in the UK for COVID-19 antibody testing.

This contract to provide antibody testing is hugely important for the UK. Open Orphan aims to bring fast and accurate COVID-19 antibody testing as quickly as possible. Its partner Quotient has already developed a gold standard antibody microarray to help combat the COVID-19 pandemic. The collaboration could be extremely important for the UK and beyond.

BUSINESS FOCUS

Open Orphan is a rapidly growing specialist CRO pharmaceutical services company. It has a focus on orphan drugs and, following the acquisition of hVIVO, is the world leader in the testing of vaccines and antivirals by human challenge studies.

It has Europe's only 24-bedroom quarantine clinic with an onsite virology lab in Queen Mary's Hospital London. hVIVO supports product development for customers developing antivirals, vaccines and respiratory therapeutics, which is all relevant and necessary in the environment of heightened awareness due to the recent pandemic outbreak of COVID-19.

THE COMPANY consists of a strong management team, all working towards unfolding Open Orphan's true potential.

Executive chairman Cathal Friel has personally invested close to £2m in Open Orphan; and chief operating officer Tim Sharpington has been with hVIVO three years and has prior experience at ICON where one of Open Orphan's co-founders Brendan Buckley was chief medical officer.

Chief financial officer Leo Toole has been with the group for one year focusing on cost reduction and finance control; and the team also features Andrew Catchpole, chief scientist and business development leader.

RESPONDING TO CORONAVIRUS

The immense global demand for a COVID-19 vaccine is high and Open Orphan is one of the few listed companies working round the clock to help find a vaccine.

There are several ways companies such as Open Orphan are aiding the fight against coronavirus. One way is to look for signs that a vaccine works in early-stage trials involving hundreds of participants. The next step would be to seek permission from regulators to deploy the vaccine under 'emergency use' rules in high-risk groups, such as healthcare workers, who are more likely to be infected with the virus.

Another proposal, which is gaining momentum, is intentionally infecting young, healthy volunteers, which removes the need for naturally infected participants.

These 'human challenge' studies are already used to study infectious diseases such as malaria and dengue. To this end, Open Orphan successfully launched its Coronavirus challenge study in March 2020. This launch resulted in almost 50,000 registered volunteers at www.flucamp.com – this volunteer base is now a huge asset for the company as it can cost £1m to acquire 50,000 volunteers.

In April of this year, Open Orphan commenced testing of an anti-viral for treating COVID-19. hVIVO's virology expertise and laboratory capability is being used to test the anti-viral drug. It has the potential to have both anti-viral and anti-inflammatory properties and could reduce both virus infectivity and disease severity respectively.

UK TESTING

More recently, Open Orphan announced a testing regime alongside Quotient to support COVID-19 antibody testing in the UK. Open Orphan is utilising its state-of-the-art virology laboratory in London to test the COVID-19 antibody. This is complementary to the screening of volunteers for Open Orphan's human challenge studies.

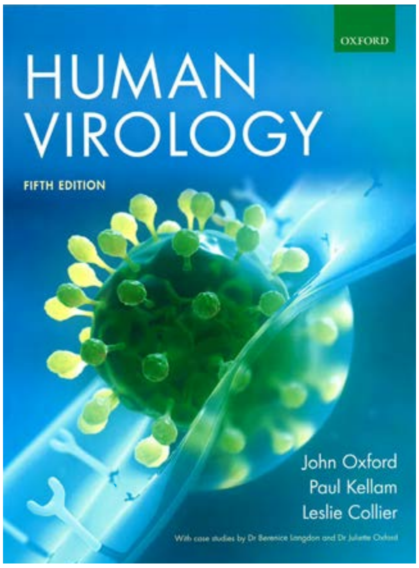
There is an unprecedented growth opportunity as pharmaceuticals focus funding on COVID-19 and respiratory diseases. hVIVO, part of Open Orphan, is working to deliver services with 12 global vaccine developers and as a result is seeing its business pipeline expand.

Furthermore, the opening of antibody testing and laboratory services to third parties, such as the partnership with Quotient, has resulted in new revenue streams for Open Orphan.

LONGER TERM CONTRACT POTENTIAL

Away from the global fight against coronavirus, Open Orphan continues to grow its business through synergies as a result of its acquisitive track record.

Prior to its acquisition by Open Orphan, hVIVO was only able to conduct challenge studies and lab services. Post-acquisition, the combined business can provide the complete gamut of services from CMC (chemistry, manufacturing, control) to Phase I and Phase II trials, all the way to regulatory services due to existing capabilities of the Open Orphan team. The company therefore has the ability to sign longer contracts with greater revenue generation.



Co-authored by chair of Open Orphan Scientific advisory Board, Prof John Oxford

'OPEN ORPHAN IS DEVELOPING ONE OF EUROPE'S LARGEST GENOMIC DATABASES OF RARE DISEASE PATIENTS, CAPTURING VALUABLE GENETIC DATA FROM PATIENT POPULATIONS WITH SPECIFIC DISEASES'

BUILDING THE DATABASE

Open Orphan is developing one of Europe's largest genomic databases of rare disease patients, capturing valuable genetic data from patient populations with specific diseases with designated orphan drug status and incorporating AI tools.

Since the acquisition of hVIVO, this database with three decades' worth of data is being added to the Open Orphan genomic database.

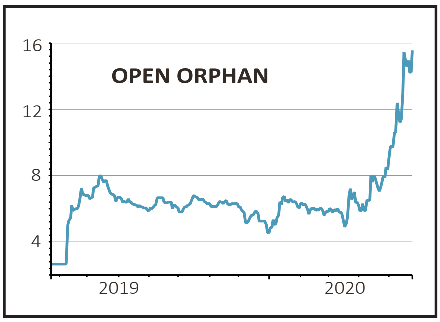
Discussions have also been initiated with big pharma on a collaborative deal involving access to the infectious disease database combined with fees-for-service clinical sample analysis to further expand the database to aid identification or early infection biomarkers for antiviral development.

FULFILLING PROMISES

Since the hVIVO deal in January, Open Orphan has done what it promised investors.

It has integrated the business; removed €2m from the hVIVO cost base, €3m removed from Venn Life Sciences cost base (the two businesses merged in 2020), with a further €2.5m reduction by December 2020; expanded hVIVO's laboratory services; started converting the hVIVO pipeline of contracts; and put the company on the right track towards future profitability.

All of this combined with its leading work against coronavirus has resulted in a substantial growth opportunity, led by an experienced management team.



Yellow Cake is a unique way to play the uranium price

www.yellowcakeplc.com

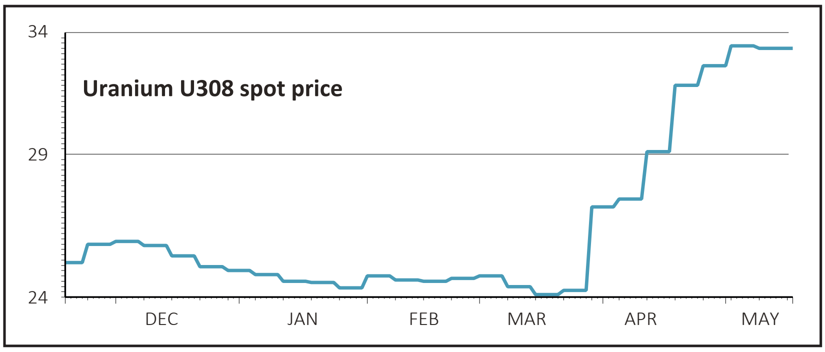
The Covid-19 pandemic has created huge volatility and uncertainty in the commodity markets with demand generally more impacted than supply. One exception is uranium U3O8, commonly known as yellowcake, which has seen its price rise by 40% in the past few months.

Now more than ever, the spotlight is shining on companies operating in the uranium sector.

Yellow Cake (YCA:AIM) is a uranium focused company, established in 2018 to purchase and store U3O8 and to realise a return on investment from an increase in uranium prices over the long term.

Yellow Cake listed on AIM in July 2018, where it raised $200m and initially purchased 8.1m pounds of U3O8.

Since then, the company's objectives remain to provide investors with pure exposure to the uranium price and the ability to benefit from expected opportunities associated with owning physical U3O8 and uranium-based financial initiatives including commodity streaming and royalties.



KEY FACTS

Market capitalisation	£190.1m[1]
Total holding of U3O8 and average cost	9.62m pounds, acquired at average cost of $21.69 per pound
Market value of U3O8 held	$320.2m[2]
Total funds raised	$233.9m

Source: Yellow Cake
[1] As at market close on 18 May 2019.
[2] Based on the spot price of $33.30/ lb published by UxC LLC on 18 May 2020.

THE INVESTMENT CASE

Despite the recent rise in prices, there are limited options for gaining exposure to uranium for UK investors.

An investment in Yellow Cake is an investment in the physical U3O8 owned by the company. It is not a uranium producer and does not take on the direct risks associated with exploration, development, mining or processing.

Neither is the upside exposure to the uranium price limited by the price caps and fixed prices often seen in long term uranium sales contracts between producers and utilities.

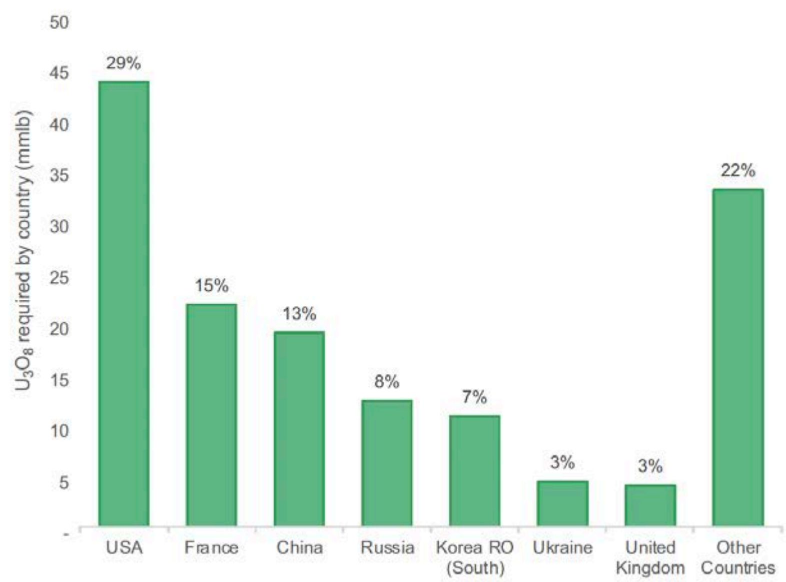
With a highly experienced board of directors and management team, Yellow Cake is well positioned to create value for investors.

YELLOW CAKE'S STRATEGIC ADVANTAGE

The company's key contracts provide many advantages to its strategy and support its low-cost operating model.

AN INVESTMENT IN YELLOW CAKE IS AN INVESTMENT IN THE PHYSICAL U3O8 OWNED BY THE COMPANY. IT IS NOT A URANIUM PRODUCER AND DOES NOT TAKE ON THE DIRECT RISKS ASSOCIATED WITH EXPLORATION, DEVELOPMENT, MINING OR PROCESSING.

Uranium requirements: percentage of world demand



Source: World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (January 2020)

- **Framework agreement with Kazatomprom.** Yellow Cake's long-term framework agreement with Kazatomprom, the world's largest and lowest cost producer of uranium, gives it the option to purchase up to $100m of U3O8 each year from 2019 to 2027 based on the spot price. The contract allows Yellow Cake to lock in the volume and price before raising the equity in the market to finance the purchase.

- **Cameco storage contract.** Cameco is the world's second largest uranium producer and virtually all of Yellow Cake's U3O8 holding of 9.62m pounds is held in a storage account at Cameco's regulated Blind River facility in Ontario, Canada. The storage contract offers significant cost savings and supports the company's low-cost operating structure.

- **308 Services' assistance.** 308 Services, a specialist in the uranium commodities market, complements Yellow Cake's management team with uranium industry expertise and manages Yellow Cake's outsourced transactional activities including storage management and purchases.

THE CASE FOR URANIUM

Demand Side

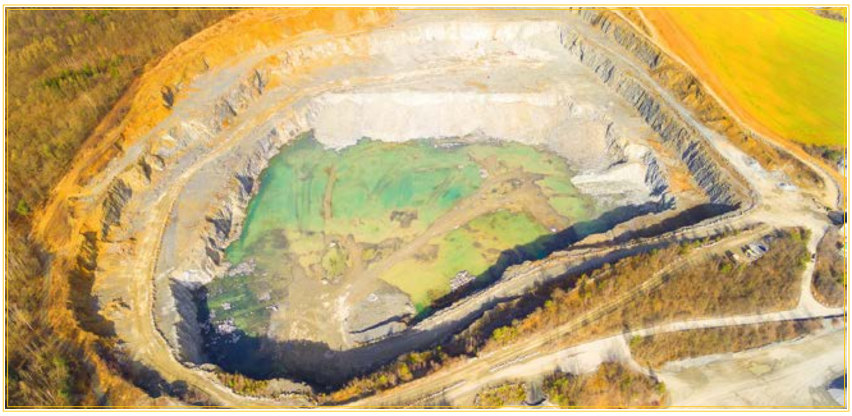
U3O8 is a key component for nuclear reactors and the generation of nuclear energy. The demand for nuclear energy is growing as it is increasingly recognised as a sustainable contributor to a low carbon future with the lowest associated operating costs per MWh.

Data from the World Nuclear Association indicates that demand for nuclear reactors will grow, particularly in Asia and the Middle East. China has 12 reactors under construction and 44 planned. Its current fleet consumes around 20m pounds of uranium and it is expected that by 2030-35 the fleets will consume 60m pounds.

To put this into perspective, the US, the biggest consumer of uranium today, consumes around 45m pounds of uranium per annum.

Supply Side

Since the Fukushima incident in 2011, there was a steady decline in the price of uranium. Even at the current spot price range, a material portion of uranium production would be loss-making. The consequence is the stalling of future investment in new capacity, reducing uranium supply in the long run.



Long-term contracts are providing many producers with hedges for production which would otherwise be loss-making at current spot prices. However, a large proportion of long-term contracts are due to start rolling off in around two years' time.

Starting in 2016, uranium miners have announced production cuts which saw uranium production reduce from 162m pounds to 142m pounds by 2019. This was further exacerbated by the global pandemic which forced uranium producers to suspend or reduce operations at a number of production sites.

These factors on the supply side steer the industry toward a future supply crunch.

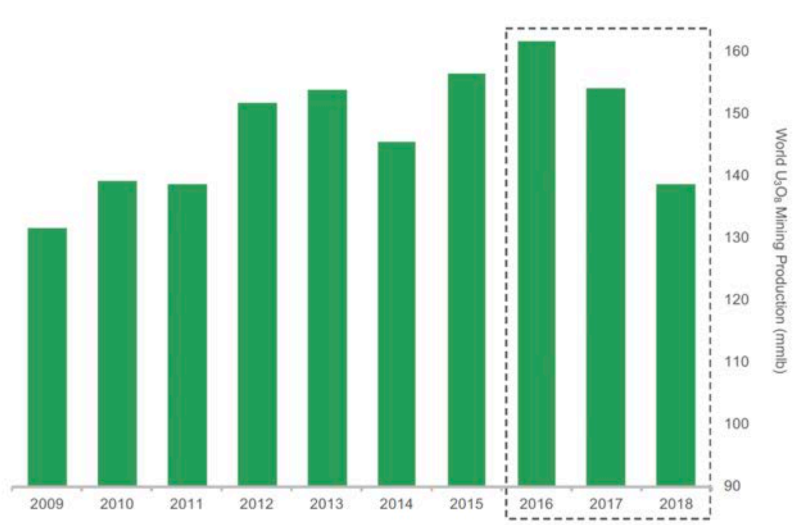
THE TIME IS RIPE FOR INVESTORS

The demand for uranium is likely to increase as the nuclear reactor build programme continues, particularly in the Asian and Middle East regions.

Simultaneously, producers cannot maintain production at current price levels thereby curbing investments into new capacity. Supply has been further constrained by the impact of Covid-19 on producers' operations, while demand has been relatively modestly impacted.

Yellow Cake offers investors a unique opportunity to gain direct exposure to uranium, at the right time in the cycle.

Production cuts seen from 2017



Source: World Nuclear Association, World Uranium Mining Production (August 2020)