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The fund is designed to deliver a return over the long term that beats inflation through a combination of capital growth and a rising dividend. Our team of expert fund managers invests in stock markets worldwide, resulting in a balanced equity portfolio which avoids taking bets on any country, sector or investment style outperforming. We just focus on picking the best companies across the whole market.

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Returns are driven by the skill of nine top fund managers. Each contributes 10-20 of their most exciting ideas, which collectively make up Alliance Trust's portfolio. The managers' high-conviction stock picking approach gives the portfolio strong potential to outperform its index[1].

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We're also proud of our track record of paying rising dividends. Over the years, we have been able to build up significant reserves which we can draw on to sustain our progressive dividend policy for investors. Even in the current Covid-19 environment, when many companies are suspending or cutting dividends to conserve cash, we aim to extend our current 53-year record of increasing dividends in 2020 and beyond.

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EQUITY MANAGERS % OF EQUITY PORTFOLIO MANAGED

9%	7%	7%	11%	19%	14%	15%	9%	9%
LOMAS	JUPITER	RIVER AND MERCANTILE ASSET MANAGEMENT	BLACK CREEK INVESTMENT MANAGEMENT INC. Unique Insights. Proprietary Ideas.	GQG PARTNERS	Veritas Asset Management	SGA Sustainable Growth Advisers	Lyrical ASSET MANAGEMENT LP	VULCAN VALUE PARTNERS
Daniel Lascano, Ronald McIntosh	Ben Whitmore	Hugh Sergeant	Bill Kanko	Rajiv Jain[3]	Andy Headley	George Fraise, Gordon Marchand, Rob Rohn	Andrew Wellington	C.T Fitzpatrick

Note: "JUPITER" and JUPITER are the trade marks of Jupiter Investment Management Group Ltd and registered in the UK and as Community Trade Marks and elsewhere

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1. MSCI All Country World Index. 2. As at 31 March 2020. 3. GQG manages an emerging markets and a global equity mandate for the Company.

Is it time to take bitcoin more seriously?

Recent moves by institutional investors and large corporates warrant closer inspection

Bitcoin is a marmite asset – you either love it or hate it. Hate is a perhaps too harsh a word, you either love it or ignore it. I for one have certainly paid little attention to bitcoin, considering it to be something for day traders and people desperate to make a quick buck, and not something which serious investors should pursue. Market developments would suggest I need to reconsider my stance.

I've been quick to dismiss cryptocurrencies in the past. My general view has been that if I want to make a return on my savings, I'll either find a stock and study the fundamentals and form a view on where its earnings could be in the coming years, or I'll buy an fund which provides exposure to a specific geography, sector or investment style.

Cryptocurrencies like bitcoin have seemed like gambling money away, simply believing they will go up in value but without any specific reason why. However, a closer look at bitcoin has been somewhat enlightening.

The decision by asset manager Ruffer to put money into bitcoin – as revealed last week – was significant on various levels. First, it sends a signal that institutional investors are taking the asset class very seriously. Second, it's also interesting how institutions are following the lead of retail investors, when normally it would be the other way round.

Ruffer says it bought bitcoin as a 'a small but potent insurance policy' against the continuing devaluation of the world's major currencies. It adds: 'Bitcoin diversifies the company's (much larger) investments in gold and inflation-linked bonds, and acts as a hedge to some of the monetary and market risks that we see.'

Gold and inflation-linked bonds are considered two of the classic safe havens, alongside cash. Bitcoin's price is incredibly volatile and so it seems odd to have it as an 'insurance' diversifier. However, gold follows cycles and history tells us that its price can also experience wild swings.

There is already talk of money that would normally be held in gold now being diverted into bitcoin. The supply of bitcoin is limited, yet more gold continues to be produced by miners digging it out of the ground.

Bitcoin last week hit $23,874, quite an achievement given it was trading around $5,000 nine months ago. Admittedly we've seen big spikes in the past and the price has quickly fallen again, such as in late 2017 and early 2018.

Asset manager Nickel says the situation is different this time. 'Unlike three years ago, current buying is driven by corporates, major institutional holders, dedicated funds, and retail platforms such as Square and Paypal,' it says.

Nickel adds that several major central banks are 'seriously considering' the possibility of developing their own digital currencies, 'which would provide a strong endorsement for the concept'.

The big question is whether bitcoin is going to be the next big global reserve asset. If it is then investors really do need to sit up and take notice.

By **Daniel Coatsworth** Editor

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The Mercantile Investment Trust: offering UK investors a world of long-term growth opportunities

Targeting UK companies outside the FTSE 100, The Mercantile Investment Trust has a long heritage of successfully providing capital growth – and income. What's the strategy behind its success?

At a time when uncertainty clouds the short-term equity market outlook, why should investors consider mid and small caps?

More room for growth

The Mercantile's portfolio of medium and smaller-sized companies offers investors both diversity and access to exciting growth. Operating in new, growing or disruptive markets, these firms mightn't be household names today, but could be future FTSE 100 members. Mercantile lead investment manager Guy explains that 'their potential to gain market share far outstrips larger companies who are, by necessity, more limited by the underlying growth of the markets in which they're operating because they can't just grow and grow and grow.' Of course, not every rough diamond will make the cut, but over the last 60 years, mid- and small-cap stocks have collectively outperformed the overall market in two out of every three years.

Advantage investment trusts

When market sentiment is uncertain, investment trusts offer shareholders a number of advantages over vehicles such as unit trusts and open-ended investment companies. Anderson believes that investment trusts are the perfect vehicle for mid- and small-cap investing. 'In contrast to OEICs, investment trusts' closed-end structure helps investors withstand market volatility and valuation fluctuations', he explains. 'Investors in Mercantile are investing in a permanent capital vehicle.'

> *Investment trusts are the perfect vehicle for mid- and small-cap investing*

The investment trust structure allows Anderson to make genuinely long-term investment decisions. He knows he'll never be forced to sell assets to raise cash in a stock market decline – such we saw when the coronavirus crisis hit UK markets in March – whereas OEIC managers may be forced to dispose of assets. 'This is really important in the mid- and small-cap space because I'm not buying a business that I happen to think is going to do well in the next quarter, I'm thinking about how it will develop over the next three, or five years.'

> *The investment trust structure allows Anderson to make genuinely long-term investment decisions*

Keeping it in reserve

While Mercantile's primary objective is long-term capital growth, a further investment trust advantage is that the trust's board can accrue reserves over time so it can smooth the dividend payout – and keep paying it in leaner times.'We've got over a year's worth of dividend in reserve, so if we received no income at all from the portfolio this year, we could in theory sustain the dividend for another year without any cut, which is a pretty strong position', explains Anderson.

The trust aims to growth the dividend at least in line with inflation. Its record proves its success: over the last 30 years, its dividend has grown at around 8.5% per annum, and was not cut even following the 2008 financial crisis. 'Yield may not be guaranteed', says Anderson, 'but it's more certain than in an OEIC, especially in a year when income for both the FTSE 100 and the mid- and small-cap market could end up down by as much as 50%.'

Investing in Britain

As well as providing welcome returns to shareholders, one of the purposes of equity markets is to provide companies with capital. Thus, equity investors like Mercantile have played a vital role in supporting businesses through the lockdown period when they have zero revenue, yet heavy cost bases. 'Those businesses have needed equity injections in order to survive – and ideally position themselves so they can flourish in the future. It's actually a good reminder of what we're really for.'

With around £2 billion in assets, Mercantile is a significant investor in the small-to-medium sector. The trust bought around a fifth of its portfolio at IPO, although it engages with potential acquisitions up to two years before they go public. 'We have extensive due diligence, we visit the companies' operating sites and meet their management multiple times. We really get to understand the business', says Anderson, who has a passion for discovering developing firms. 'I want to invest in a business with solid fundamentals and a strong competitive positioning, where there is an exciting growth outlook. The business should generate decent margins and crucially generate a strong return on capital with the ability to reinvest to drive further growth.'

> *I want to invest in a business with solid fundamentals and a strong competitive positioning, where there is an exciting growth outlook.*

New fears for retail, leisure and oil sectors as Covid bites

Share price movements show investors getting nervous again

The rally in global markets reversed on 21 December as investors started to consider the implications of a more infectious strain of coronavirus. Share price declines were most prevalent in the retail, leisure and oil sectors, which shows that the market is worried about a delay to economic recovery.

Investors need to consider how these sectors could be affected as we move into 2021. In a nutshell, we see retailers issuing very downbeat trading statements in January as Tier 4 restrictions in the UK disrupt sales at the traditionally peak trading period, namely the run up to Christmas.

Those who have made money from buying leisure stocks in the November to early December rally may decide to take profit, so we see further weakness near-term in this sector.

The oil price also looks like it could give up recent gains and drift back until we get positive news on the vaccine roll-out globally.

GAPS ON SHELVES

Supermarkets have seen a spike in customer demand as so many people's Christmas plans were altered by the new Government restrictions. At the same time, supply concerns for supermarkets and other retailers have been getting worse amid no progress with UK/EU trade talks, and foreign countries putting a ban on travel to the UK amid concerns about the spread of a new virus variant.

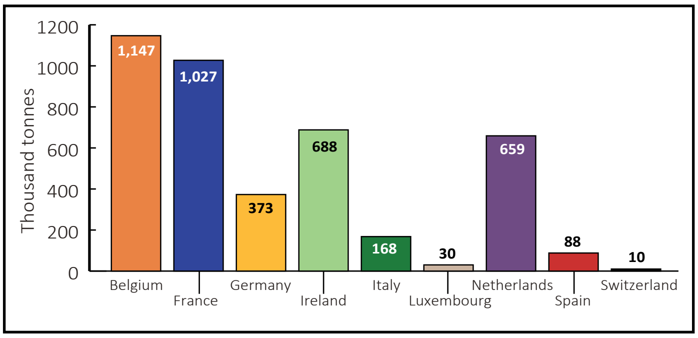
Supermarkets have been stockpiling goods for months, although the UK's second-largest grocery chain **Sainsbury's (SBRY)** warned on 21 December that gaps would start to appear on shelves if transport links with France were not quickly restored following disruption.

'If nothing changes, we will start to see gaps over the coming days on lettuce, some salad leaves, cauliflowers, broccoli and citrus fruit – all of which are imported from the continent at this time of year,' the firm said.

Longer term there are concerns that European drivers and hauliers will boycott the UK, leading a shortage of imports, in particular fresh produce.

With the official line still that Britain would rather leave the EU with no trade deal rather than a compromise, the French national hauliers' federation warned 'no driver wants to deliver to the UK, its freight supply is going to dry up'.

International road haulage by UK vehicles - goods lifted by country of loading 2019



Source: International Road Haulage Survey and Continuing Survey of Road Goods Transport (Northern Ireland), July 2020.

RETAILERS BUCKLING UNDER THE STRAIN

The issues around freight are cranking up the pressure on a retail sector already buckling under the strain of Brexit uncertainty and a digital Christmas.

The Government's shock closure of non-essential shops in Tier 4, and supply chain disruption between the UK and continental Europe, arrived at the worst possible time for retailers and could prove catastrophic for weakened players in the hard-pressed sector.

Robbed of the last few crucial shopping days before Christmas, retailers will not only feel the impact of lost sales, they'll also be stuck with unsold Christmas stock they'll be unable to shift or have to sell at a huge margin-crimping discount in the New Year.

We should begin to find out the scale of the damage in the first weeks of 2021 with the release of the traditional Christmas trading updates from the sector.

Selected festive updates from the retail sector

5 Jan	Next, Morrisons
12 Jan	JD Sports
13 Jan	Sainsbury's
14 Jan	Tesco, Dunelm
20 Jan	Dixons Carphone, WHSmith

Source: Shares

Negative investor sentiment even extended to online retailers, the usual beneficiaries of a brick and mortar shutdown, with shares in **AO World (AO.)**, **ASOS (ASC:AIM)** and **Boohoo (BOO:AIM)** in the red, amid fears about holiday period supplies and the impact of further job losses on purchasing power as a consequence of tightened restrictions continuing into 2021.

TRAVEL SECTOR CHAOS

The travel sector has again been plunged into chaos as the new Covid variant in the UK sparked travel bans from countries all over the globe.

Shares in the six major airline and package holiday stocks on the London market all tumbled on 21 December, with budget airline **EasyJet (EZJ)** and British Airways owner **International Consolidated Airlines (IAG)** the biggest fallers.

One of the key concerns for investors is whether the fresh round of disruption will affect the booking frenzy usually seen in the New Year as people plan their summer getaways.

Trading updates from travel firms in the first quarter of the year usually mention performance in the 'important' January and February period for summer bookings, but that performance could now be in doubt given consumer nervousness, particularly as talk grows over travel bans lasting for two to three months and reports emerge that the likes of British Airways will not issue refunds.

In a research note on tour operator **TUI (TUI)**, analysts at Berenberg say there's 'absolutely no doubt' over pent-up demand for a holiday and that this will be one of the first things people do once travel sanctions and the Covid-19 'overhang' lifts.

But they warn there could be travel limitations 'well into 2021' and expect 2022 will be the first year when normality returns, with travel firms' operational performance not returning to 2019 levels until 2023.

The latest developments also spell bad news for pub and restaurant stocks, as well as others like **Cineworld (CINE)**, and will potentially delay their earnings recovery further. For a company like Cineworld, with its $8.2 billion of net debt, this is particularly troubling.

Worst performing FTSE 350 stocks on new Covid fears

Company	Performance 21 Dec (%)
Hammerson	-14.5
Petrofac	-13.6
International Consolidated Airlines	-11.9
FirstGroup	-10.9
EasyJet	-10.9
Trainline	-10.8
Carnival	-10.8
Frasers	-10.7
Cineworld	-9.9
Rolls-Royce	-9.1

Source: SharePad. Based on intra-day prices on 21 December 2020

All eyes on AstraZeneca as markets wait for vaccine approval

A green light could help to calm markets shocked by tighter government restrictions pre-Christmas

Amid news of tighter consumer and business restrictions in various parts of the world, developments in the Covid-19 vaccine space will have a major influence on global markets as they will provide the path for society to reopen.

AstraZeneca's (AZN) vaccine developed with the University of Oxford is expected to be approved shortly after Christmas, according to media reports.

Moderna last week received the green light from the Federal Drug Administration (FDA) for the emergency use of its mRNA vaccine for Covid-19.

The Moderna vaccine is just as effective as the Pfizer-BioNTech vaccine which has already started to be administered, but crucially can be stored at standard refrigerator temperatures of between two and eight degrees, allowing for easier transportation and more widespread distribution.

So far, Moderna has secured deals to supply the US with 200 million doses with an option for an additional 300 million, the European Union has secured 160 million, while Japan has ordered 50 million and the UK 7 million doses.

Scientists don't yet know if the Pfizer, Moderna and AstraZeneca vaccines prevent the onward transmission of the virus or for how long they provide immunisation.

It has become clear that distributing the vaccines isn't going to be straightforward or as rapid as hoped, which means the 40-odd vaccine candidates currently in trials could yet play a crucial role in getting the world back to normality.

With virus cases spiking again in the UK due to the rapid proliferation of a new strain the availability of effective therapies designed to reduce the severity of symptoms and the time spent in hospital take on greater importance to alleviate strain on the NHS.

Further good news on this front came last week with shares in respiratory and drug discovery company **Synairgen (SNG:AIM)** surging 36% on 18 December and a further 11% to 154p on 21 December following approval from the FDA for its SNG001 inhaled drug for treating Covid-19.

Last month UK trial data was published in the prestigious *Lancet* journal showing that the drug may have the potential to restore the lung's immune response and accelerate recovery from the virus.

Numis analysts believe Synairgen's inhaled drug could be superior to Remdesivir, developed by US firm Gilead which was the first drug to be approved for use against Covid-19 by the FDA in October.

Subject to successful phase three trials Synairgen plans to scale up to produce 100,000 doses per month.

The underappreciated risks to markets in 2021

We look at various predictions of what could trip investors up next year

As we wrote in our 2021 outlook, there are plenty of reasons to be cheerful looking ahead. Several Covid vaccines are in production with a view to mass immunisation over the course of the year, allowing life to get back to normal and the global economy to repair itself, and interest rates are set to remain at historically low levels.

A Biden presidency, and potentially a Democrat-led Senate, brings with it a clear agenda on clean energy and infrastructure spending in the US and potentially an end to tit-for-tat trade disputes with China and other nations.

China, for its part, is expected to power global growth next year and to become an increasing focus for both equity and bond investors.

However, if 2020 has taught us one thing it's to expect the unexpected, so without making any predictions, what could trip us up over the next 12 months?

EXCESS POSITIVITY

One of the biggest surprises is how bullish stock

markets have been and continue to be despite the destruction of roughly three years of corporate earnings due to the pandemic.

Part of the reason for this is the extraordinary amount of liquidity injected into markets by central banks to stave off an economic collapse. With $18 trillion of bonds worldwide offering negative yields due to the vast amount of cash swilling around markets, investors have had little option but to chase stocks higher.

With the S&P 500 and the Nasdaq 100 having recently hit new all-time highs, optimism is unbridled. The latest quarterly survey of asset allocators by Absolute Strategy Research, flagged in an article by *Bloomberg* columnist John Authers, shows a record high in its 'composite optimism

FEAR & GREED INDEX - What emotion is driving the market now?

Previous Close Greed	63
1 Week Ago Extreme Greed	76
1 Month Ago Greed	63
1 Year Ago Extreme Greed	90

Last updated 18 December 2020

Source: CNN

indicator' and record high probabilities that:

- global equities will be higher
- global earnings will be higher
- stocks will beat bonds
- value will beat growth
- cyclicals will beat defensives
- emerging market stocks will beat developed market stocks
- US investment grade bonds will beat treasuries
- US high-yield bonds will beat investment-grade bonds
- emerging market hard-currency bonds will beat US high yield

Those surveyed also assigned a record low probability to US unemployment rising, the dollar appreciating and US stocks suffering a 20% drawdown.

There are a raft of other indicators which also point to excessive bullish sentiment, such as the American Association of Individual Investors (AAII) Bull to Bear sentiment survey, the ratio of S&P 500 put options to call options – which is at a record low instead of a record high as investors buy 'upside protection' instead of 'downside protection' – and CNN's 'Fear and Greed' index which last week sat at the 'Extreme Greed' level.

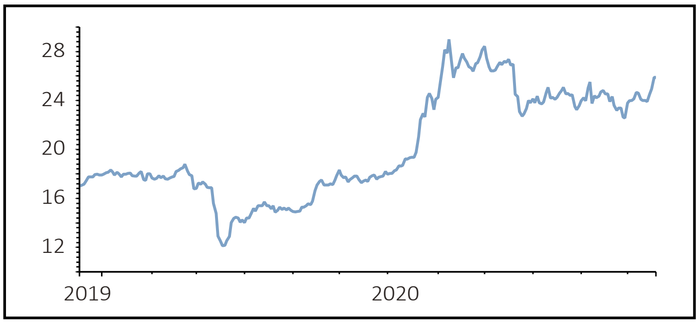
The latest Bank of America survey of fund managers found global growth and profit optimism at a 20-year high, with those surveyed favouring a record allocation to stocks compared with bonds and a five-year low allocation to cash. The bank warned markets were close to 'full bull' and a sensible strategy might be to sell into strength.

John Templeton described bull markets as being born out of pessimism, growing on scepticism, maturing on optimism and dying on euphoria. On the current evidence we surely aren't that far from euphoria.

REFLATION RISKS

As Standard Chartered's head of research Eric Robertson points out, the 'reflation consensus' is vulnerable to bad news. He has a list of non-consensual macro-economic and political risks to markets for 2021, starting with a Democrat sweep of the US Senate which would send US tech stocks reeling and yields sharply higher on fears of rising money supply.

WILL SILVER SOAR IN 2021?



His other risks are that China lets its currency appreciate against the dollar to improve consumers' purchasing power; copper prices surge as it becomes 'an asset class'; and oil prices collapse as OPEC splits over quotas and cooperation.

Furthermore that the euro collapses as the European Central Bank toys with zero interest rates; the dollar collapses as new treasury secretary Janet Yellen talks the currency down to ease financial conditions; and emerging market debt defaults and sovereign downgrades spark a collapse in emerging market stocks just as the consensus has turned strongly bullish.

BLACK SWANS

For a list of even more non-consensual risks to the consensus view, we turn to Saxo Bank's chief investment officer Steen Jakobsen whose 'outrageous predictions' have become market folklore.

Among his unlikely but under-appreciated events, which could send shock waves through financial markets are: Germany having to bail out France after its banks suffer meltdown; Amazon redomiciling its European business to Cyprus for tax purposes; and a new digital Chinese currency disrupting capital flows.

He also flags a breakthrough in nuclear fusion leading to energy abundance and the dramatic demise of Big Oil; the silver price rocketing on solar panel demand and a supply crunch; and a universal basic income 'hollowing out' big cities with catastrophic effects on commercial and residential property prices.

'The pandemic and the painful US election cycle have brought what might have seemed a distant future a quantum leap closer, accelerating nearly every underlying social and technological super-trend. Simply put, the traumas of 2020 mean that in 2021, the future is now,' says Jakobsen. [IC]

HOW OUR 2020 STOCK PORTFOLIO STAYED AFLOAT DESPITE COVID

A NEAR 5% TOTAL RETURN COMPARES WITH AN 8.7% LOSS FOR THE WIDER UK MARKET

SHARES' 2020 PORTFOLIO

Luceco	117.0%
Kainos	66.2%
Wizz Air	17.5%
Hotel Chocolat	5.8%
Begbies Traynor	4.5%
Schroders (cut losses 6 Aug)	-10.2%
IG Design	-12.0%
Redrow	-25.4%
Centrica	-52.3%
Lloyds Banking (cut losses 24 Sep)	-63.4%

TOTAL	4.8%
FTSE All-Share	-8.7%

All figures total return. Entry prices taken 17 Dec 2019. Latest prices taken 16 Dec 2020. Source: Shares, SharePad.

What a year. At the start of 2020 it was all about the political certainty in the UK delivered by the 2019 General Election but within a couple of months attention had turned to a nasty new virus emerging from China.

In the circumstances the 4.8% total return from our picks was a solid effort, given they were selected for a reality which was entirely overturned by the pandemic. Certainly, we did better than the wider UK market with the FTSE All-Share down by 8.7% despite the recovery from its March lows.

SHARES **+4.8%** VS MARKET **-8.7%**

However, this doesn't tell the whole story. We enjoyed some big hits and big misses along the way. Appropriately the list of winners is split exactly 50-50 with five of our selections in positive territory and five in the red.

It is also fair to acknowledge

that the return we eked out is less than the broader MSCI World index which achieved a 16% total return over the same timeframe.

LUCECO LIGHTS UP

Let's start with the good news. Our faith in a recovery at electronic products supplier **Luceco (LUCE)** has paid off in spades with a 117% return.

The company, which also specialises in LED lighting, upgraded its earnings guidance several times in 2020, most recently on 20 October when it upped its full year adjusted operating guidance from at least £23 million to a range of £28 million to £30 million.

Luceco has seen higher margins by delivering improvements in its business model as it addressed historic issues around stock and currency management.

Coming in a somewhat distant second but still with a bumper profit is digital transition specialist **Kainos (KNOS)** with a 66% return.

We couldn't have anticipated how the Covid-19 pandemic would drive demand for the company's services – not least from several key government departments in the UK and the NHS.

The shares have given back some of their stellar gains since November 2020 – perhaps due to a rotation out of perceived Covid winners into reopening value plays thanks to the development of a Covid vaccine.

However, the earlier surge in the share price is not based on thin air. The increase in demand for its services was likely accelerated rather than inflated by the pandemic.

OTHER POSITIVE PICKS

Three other stocks managed to weather Covid to close out the year in positive territory. One of these names may be a bit of a surprise.

Everybody knows the aviation sector has faced an outsized impact from Covid, so to see **Wizz Air (WIZZ)** finish in the black is somewhat remarkable. It has been achieved thanks to several factors including limited debt, resilient load factors in growth markets in Eastern Europe, strong cost control and better ancillary revenue than its rivals.

Chocolatier **Hotel Chocolat (HOTC:AIM)** has, perhaps unsurprisingly given its web-based roots, been effective at switching channels from its stores to online and third-party partners in response to the pandemic.

As such digital demand was up 150% year-on-year in the early part of the 12-month period running to June 2021.

FINANCIALS FAIL TO PERFORM

Bigger gains might have been expected for insolvency specialist **Begbies Traynor (BEG:AIM)** given the impact on the economy of coronavirus. However, at least some of this impact was forestalled by unprecedented levels of state support.

In general, exposure to the financial sector turned out to be a mistake and we cut our losses on both our larger picks in this space before the end of the year, namely **Lloyds Banking (LLOY)** and asset manager **Schroders (SDR)**.

Ultra-low interest rates, the risk of rising bad debts and regulator interference which prevented banks from paying dividends all contributed to an exceptionally poor performance for Lloyds.

DEBT MASSIVELY OUT OF FASHION

It has been an up and down year for the housebuilders, with a period of deep freeze during the first lockdown switching to a massive rebound amid pent-up demand in the remainder of the year.

However, **Redrow (RDW)** underperformed the wider peer group with its higher level of borrowings at the start of the pandemic not helping sentiment towards the stock, even if it has subsequently built back to a net cash position of £115 million (at the last count).

Equally, heavily indebted energy firm **Centrica (CNA)** may have made some progress on fixing its balance sheet but this hasn't been enough to spare the stock from further weakness in 2020.

It has continued to be dogged by operational issues, exposure to commodity prices and difficulties in its consumer-facing British Gas business and on a five-year view the shares are now down as much as 80%.

Meanwhile the performance of another laggard, gift wrap to greeting card manufacturer **IG Design (IGR:AIM)** won't be earning us any warm Christmas messages.

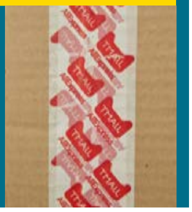
TOP STOCKS FOR 2021

OUR PICKS IN A NUTSHELL

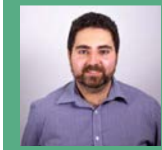
BUY

ALIBABA

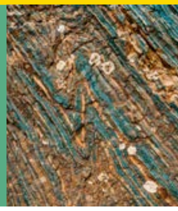
Steven says: It's the equivalent of Amazon in China and a great way to play the boom in e-commerce and cloud computing



BHP

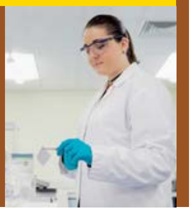


Yoosof says: The outlook is bright for BHP's main commodity products next year and there's good dividend potential as well



CONVATEC

Martin says: The business is looking healthier after rectifying earlier mistakes and earnings growth is back on the menu

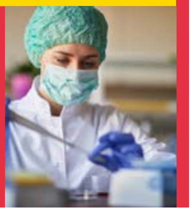


DIAGEO

Tom says: The spirits manufacturer is a quality business which should enjoy a recovery in demand in 2021

EUROFINS SCIENTIFIC

Ian says: The testing giant trades at a big discount to rivals with its qualities not fully recognised by the market



INSPECS

James says: The eyewear specialist is under the radar for most investors and offers very attractive growth potential

OCADO

Tom says: We believe supermarkets will dramatically boost investment in online capability and Ocado could be a major beneficiary

PZ CUSSONS

James says: We see big turnaround potential for the owner of some very strong brands

QINETIQ

Martin says: This is a great quality business executing on its international growth strategy and boasting strong earnings visibility

RWS

Ian says: Revenue and cost synergies will boost earnings on top of the structural growth story

TRACSIS

Steven says: A strategic shift to focus on the rail sector could lead to bigger acquisitions and greater profits

JD WETHERSPOON

Yoosof says: Described as the 'cockroach of the high street', JD Wetherspoon could gain big market share next year

ALIBABA (BABA:NYSE)

China offers huge growth potential in 2021 and beyond and **Alibaba (BABA:NYSE)** is arguably the best way to play this theme.

The country's answer to Amazon, Alibaba owns the largest online marketplaces in China while Alibaba Cloud is the region's leading cloud platform. The company went public six years ago, and its share price has since risen nearly 300%.

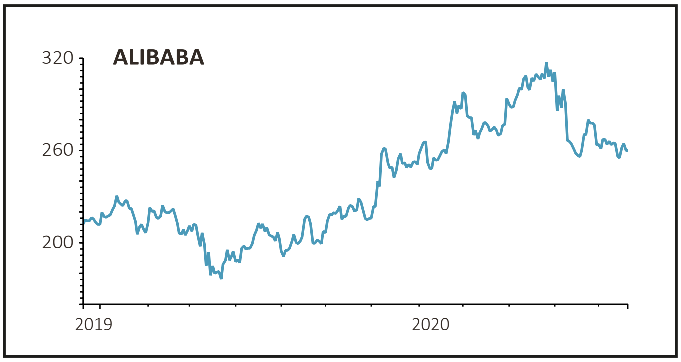
Ambitious plans, which include doubling the active users of its digital ecosystem to 2 billion by 2036, are being driven by savvy digital vertical investments into areas like smart logistics, payment services, cloud computing, online marketing services, travel booking, music and video streaming.

Where Amazon subsidises its online marketplace with its very profitable cloud business AWS, the opposite is true of Alibaba. Its top Chinese marketplaces, Taobao and Tmall, do not take on any inventories. Instead, they act as paid listing platforms that link buyers to sellers, with its logistics unit Cainiao fulfilling orders.

This less capital-intensive approach keeps Alibaba's core commerce business very profitable and allows it to fund its currently unprofitable cloud, digital media, and entertainment and innovation initiatives units.

Competition in China's cloud computing space is tough, but Alibaba already has an estimated 50% market share, which should make its journey to similar profit margins to Amazon's 30%-odd a big lever for future growth.

In short, Alibaba is valued at less than half of Amazon despite producing substantially wider margins, greater profitability on a group basis, and having a more extensive sales growth outlook for the next couple of years.



ALIBABA VS AMAZON

	Alibaba (FY ending Mar 2022)	Amazon (FY ending Dec 2021)
Revenue growth	31.0%	18.0%
Net income margin	25.0%	5.2%
PE	28.7	69.9

Source: Refinitiv

In the six months to 30 September 2020, Alibaba's revenue grew 32% year-on-year and its adjusted earnings rose 28%. Analysts expect Alibaba's revenue and earnings to increase 38% and 32% this year respectively as its growth is forecast to improve in the second-half period.

It is important to note that Alibaba faces growing online competition in China from the likes of JD.com and Pinduoduo.

Alibaba's shares recently wobbled when the stock market listing of its part-owned Ant Group was temporarily halted by Chinese regulators as they looked to implement tougher rules on fintech firms.

There are also US threats to delist Chinese firms from Wall Street as part of a compliance clampdown, however these look largely political.

Investors need to be comfortable with these risks to buy the shares.

Share Price	$256.22
Market cap	$692 billion
Forecast EPS 2022	CNY 59.88
PE 2022	28.7
Forecast dividend 2022	n/a
Dividend yield 2022	n/a
Financial year end	31 March

We've used 2022 forecasts because the market is forward looking and the financial year end is 31 March, so investors will soon be more focused on 2022 numbers

Source: Source: Shares, Refinitiv

BHP (BHP)

If 2021 is the year of global economic recovery, then one of the best placed stocks to capture that upside could be FTSE 100 miner **BHP (BHP)**.

The £98 billion market cap company is one of the world's biggest producers of iron ore and copper, two metals considered to be economic bellwethers.

Iron ore prices surged in December and reached their highest level in seven years as demand soars from China, a big market for BHP, and the benefits of which should start to be felt when the firm reports its half-year results to 31 December in February 2021.

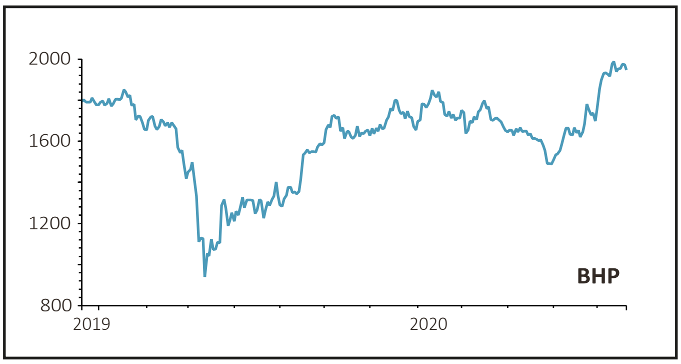
BHP can dig iron ore out of the ground for less than $15 per tonne and is able to sell it for a whole lot more given prices in the past month have gone as high as $161 per tonne, and are forecast to remain at an elevated $123 per tonne well into the first half of 2021.

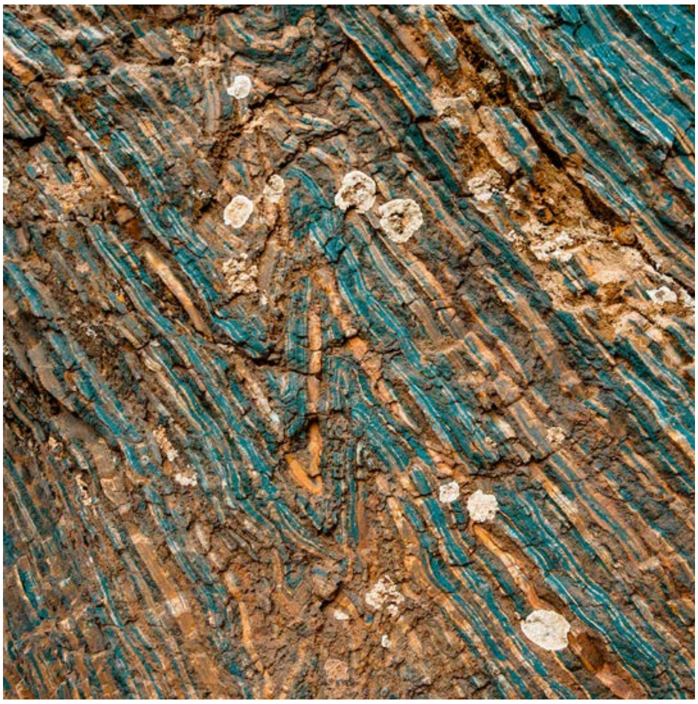
Bumper profits could also see BHP pay a decent dividend, particularly given the firm's history of returning cash to shareholders, with the company forecast to increase its total shareholder payout to $1.49 per share in 2022 according to Refinitiv, equivalent to a 5.7% yield.

Longer term BHP is well-placed to benefit from the structural growth of electric vehicles (EVs) due to its exposure to copper and nickel, two metals key for EV components.

Nickel is expected to have a breakout year in 2021, and nickel futures are already starting to trade higher in anticipation of stronger demand.

BHP's much-hyped Nickel West processing plant has been beset by delays having meant to be fully up and running this year and has therefore been loss-making for the firm. It is expected to start producing by the second half of next year.





This underscores some of the risks with miners, as operational problems can affect their production and impact earnings, while it's also important to note none have pricing power as all of their income depends on the market prices for the commodities they are digging out of the ground.

The likes of **Anglo American (AAL)**, **Glencore (GLEN)** and **Rio Tinto (RIO)** also have exposure to similar areas to BHP, but they either have a poorer commodity mix – with lower exposure to either iron ore, copper or nickel – or worse ESG credentials, something which looks more likely to weigh on share prices going forward, particularly in sectors which have big impacts on their environments like mining.

Share Price	£19.83
Market cap	£114 billion
Forecast EPS 2022	$1.96
PE 2022	13.4
Forecast dividend 2022	$1.49
Dividend yield 2022	5.7%
Financial year end	30 June

We've used 2022 forecasts because the market is forward looking and the financial year end is 30 June, so investors will soon be more focused on 2022 numbers

Source: Source: Shares, Refinitiv

CONVATEC (CTEC)

After recently upgrading (28 October) full-year revenue growth to the top of its 2% to 3.5% target range, medical products company **ConvaTec (CTEC)** looks well placed going into 2021 as several tailwinds form.

A faster than anticipated recovery in US elective surgeries is providing a boost for its wound care business and new product launches position the company for renewed growth.

While Covid-19 still presents a challenge especially in the US where caseloads are still rising, the stars appear to be aligning for stronger than anticipated revenue growth translating into higher profit growth.

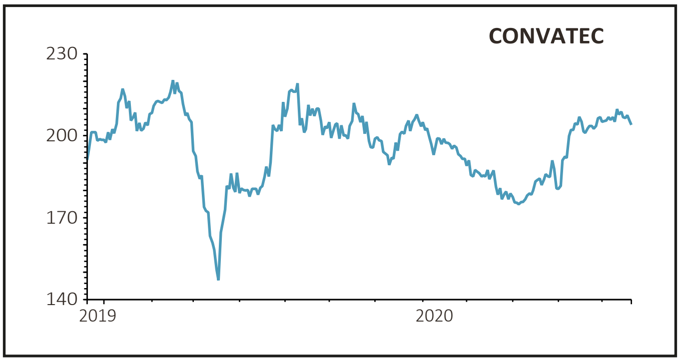
Before the pandemic management was confident 2020 would mark the trough year for margins. A temporary improvement this year from lower travel and other operating expenses, and a deferral of some investment in the 'transformation programme' has muddied the picture.

However, there remains the tantalising prospect that ConvaTec is on the cusp of entering a new phase of profitable growth, allowing the shares to claw back some of their sector valuation discount.

ConvaTec operates in attractive markets with structural growth drivers related to ageing populations. Its products serve patients with chronic and progressive diseases where there are few cures.

Of the four niches in which ConvaTec operates the insulin pump market for diabetes sufferers is expected to have the fastest growth potential at around 9% a year to 2023.

The company has market-leading solutions including a 'smart glycaemic control' which provides continuous monitoring of blood sugar levels of patients, a key advantage. In the third quarter the infusion segment saw particularly strong revenue growth of 27%.



The global ostomy market is expected to grow at 4.7% a year out to 2026 according to consultancy Coherent Market Insights. Ostomy involves the provision of prosthetic medical devices for the collection of waste in patients with diseases of the digestive system such as Crohn's.

Continence and critical care and global wound care markets are expected to grow at 4.6% a year to 2026.

ConvaTec had by management's own admission fallen behind competitors in wound care and ostomy but has since rectified the situation by introducing new products and better marketing.

The pandemic has created uncertainty around the timing of the inflexion point for ConvaTec to return to profitable growth, but the performance during the past year points to increasing momentum across the business.

Share Price	204.6p
Market cap	£4.1 billion
Forecast EPS 2021	13 cents
PE 2021	20.9
Forecast dividend 2021	6 cents
Dividend yield 2021	2.2%
Financial year end	31 December

Source: Source: Shares, Refinitiv

DIAGEO (DGE)

Quality business **Diageo (DGE)** should benefit from a reopening of society and we think its shares will reward investors handsomely in 2021.

Diageo and the wider beverages space have underperformed a relatively buoyant wider consumer staples piece in 2020 as they have suffered from Covid's substantial impact on sales in pubs, restaurants, hotels and at events.

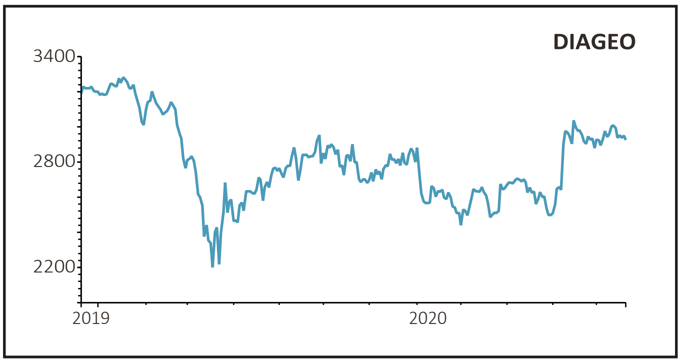
We think Diageo will play catch-up in the coming months as hospitality reopens and with supermarket and convenience store sales likely to remain resilient. The market focus will soon turn to the 2022 financial year which starts in July 2021, where forecasts suggest earnings will largely recover to pre-Covid levels.

While it may be familiar to some for making Guinness, Diageo is principally a manufacturer of spirits. In the 2020 financial year upwards of 70% of its sales came from rum, scotch, vodka, whisky, gin, liqueurs, gin or tequila.

The spirits industry has several attractive qualities for a dominant player like Diageo. Consumption is steadily rising in the West and in emerging markets, manufacturing costs are relatively low, it is sold at a premium price and, crucially, brand power counts.

People will typically have a favourite brand of rum, gin, vodka or whisky. Fortunately for Diageo its roster of brands includes many people's favourites – names like Johnnie Walker, Smirnoff, Baileys, Captain Morgan and Tanqueray.

Diageo certainly felt an impact from coronavirus, and it had to flex its balance sheet to cope with the crisis. As a result, its net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio was running above its three times target at the last count.



However, we see little sign that the business is in financial distress. The dividend was hiked 2% at the half-year stage even if share buybacks were paused.

The company recently demonstrated its commitment to targeted acquisitions to refresh its portfolio by agreeing to buy Aviation American Gin, backed by actor Ryan Reynolds, in a deal worth up to $610 million.

As fund manager Nick Train, a holder of Diageo, observed: 'It is a reassuring sign that boards aren't just in fire-fighting mode and that balance sheets and liquidity are in good enough shape to make investments for the future.

'As others have remarked, the deal is reminiscent of its acquisition of George Clooney-sponsored Casamigos in 2017. A transaction that raised eyebrows at the time, including ours – because of the headline cost. But a deal that looks smarter and smarter as the US spirits boom continues, with premium brands leading the way.'

Share Price	£29.45
Market cap	£69.5 billion
Forecast EPS 2022	128.3p
PE 2022	23
Forecast dividend 2022	73.5p
Dividend yield 2022	2.5%
Financial year end	30 June

We've used 2022 forecasts because the market is forward looking and the financial year end is 30 June, so investors will soon be more focused on 2022 numbers

Source: Source: Shares, Refinitiv

EUROFINS SCIENTIFIC (ERF:EPA)

Paris-listed **Eurofins Scientific (ERF:EPA)** is the world leader in food, biopharmaceutical and cosmetics product testing and environmental laboratory services. It employs over 48,000 people in more than 800 laboratories across 50 countries.

Roughly half of annual turnover comes from food and biopharmaceutical product testing and services, businesses which are set to grow due to ageing populations and increasing regulation.

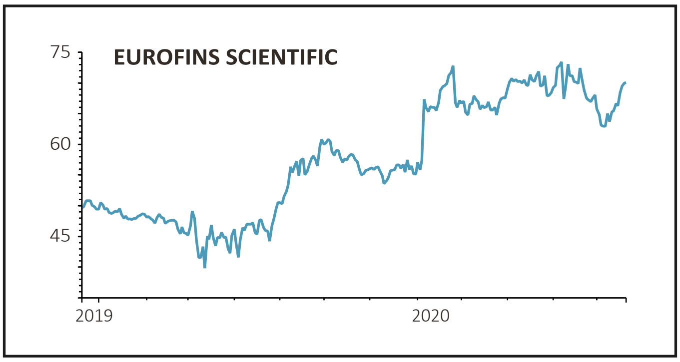
Eurofins' laboratory network was well placed to assist the global effort in tackling the Covid pandemic and drawing on its experience of SARS it rapidly developed testing services, solutions and products to support over 20 million patients per month.

While this generated revenues for the group, some of its core businesses experienced a drop over the summer due to the global slowdown, although by June the firm was already beginning to see a sharp recovery in demand.

Commenting on the half-year results, which saw sales rise by 7.4% to €1.18 billion and pre-tax profit rise by 28.4% to €264 million, chief executive Gilles Martin said that had the pandemic not occurred the firm's performance would have been better. Even where sales hadn't quite got back to pre-Covid levels, cost cuts meant profitability was higher as demonstrated by the faster growth of earnings.

The positive news on the Pfizer/BioNTech vaccine sent Eurofins' shares down 8% on the day, and they continue to languish at the levels they saw in the summer even though analysts and the company weren't factoring in much revenues from testing beyond next year.

The firm has typically generated a 10% or greater



return on capital employed, partly thanks to small bolt-on deals in niche, high value-added areas.

With its two latest acquisitions it became the leading genetic analysis firm in Japan and the market leader in environmental testing in Taiwan, increasing its global footprint in genomic services, diagnostics and agroscience.

The company forecasts sales growing at a 5% organic rate per year from this year to 2022 and beyond, supplemented by acquisitions, while analysts at Berenberg believe it has significant under-used lab capacity and see strong operational gearing and margin improvement being the next drivers of the growth story.

Rapid growth in free cash flow is expected to reduce gearing to less than two times EBITDA, while the firm's investment-grade rating and clear ESG credentials mean it should enjoy above-average governance ratings.

Despite its appeal, Eurofins trades at a significant discount to its peers including **Intertek (ITRK)** and Switzerland's SGS.

Share Price	€69.99
Market cap	€13.4 billion
Forecast EPS 2021	€2.25
PE 2021	31.1
Forecast dividend 2021	36 cents
Dividend yield 2021	0.5%
Financial year end	31 December

Source: Source: Shares, Refinitiv

INSPECS (SPEC:AIM)

Eyewear frames and optically advanced spectacle lenses maker **Inspecs (SPEC:AIM)** joined the stock market in February 2020 and its shares have since risen by 40%. We see a lot more upside at the Bath-based company which is still in the early stages of its global growth journey.

The eyewear industry has bounced back from Covid-enforced closures with opticians operating safely, Inspecs' end-October order book was 25% above that of 2019, while the recent acquisition of Germany's Eschenbach provides a further platform for growth.

Guided by founder and chief executive Robin Totterman, Inspecs' broad range of frames covers optical, sunglasses and safety and are either branded or private label. July's purchase of lens maker Norville from the administrators also significantly increased Inspecs' lens expertise and manufacturing capability.

Vertically integrated and with factories in Vietnam, China and Italy, Inspecs is one of few companies that can offer a one-stop-shop solution to global retail chains. This leaves it well positioned to continue taking market share in the expanding international eyewear market. Customers include global optical and non-optical retailers, global distributors and independent opticians.

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

Broker Peel Hunt upgraded its earnings estimates following the recent acquisition of German-headquartered eyewear supplier Eschenbach, a deal which dramatically increases Inspecs' global distribution.

Greater scale is expected to yield opportunities to acquire bigger global licences and make acquisitions to increase the enlarged group's brand portfolio.

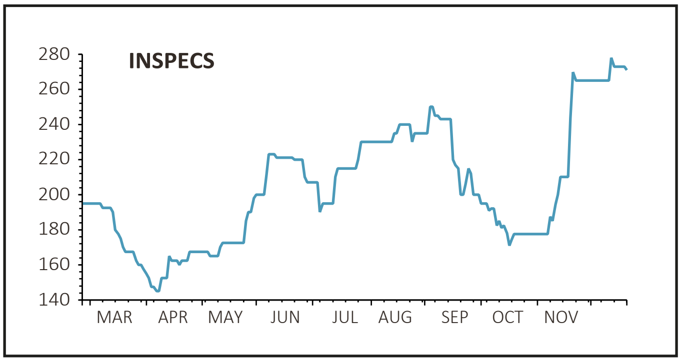
Enhancing Inspecs' presence in key eyewear markets including Germany, the US and France, Eschenbach also gives the new owner a presence in the independent opticians channel, complementing its existing focus on retail chains.

And whereas Inspecs is currently focused on more affordable eyewear, Eschenbach takes the business into the premium and luxury segment. As if that weren't enough, Eschenbach's Optics division provides Inspecs with an entry into the low vision technology market, which serves people with severe visual impairment.

Peel Hunt's updated forecasts point to a jump in sales from 2020's estimated $45 million to $241 million in 2021, sending adjusted pre-tax profit up from $3.6 million to $19.5 million next year, ahead of an estimated $24.9 million of profit from $256.5 million of sales in 2022.

We think those forecasts will look conservative given the upside to come from purchasing, operational and revenue synergies post-Eschenbach.

Income-seekers should also note the broker sees Inspecs initiating a dividend next year.



Share Price	271p
Market cap	£278 million
Forecast EPS 2021	16.8 cents
PE 2021	21.3
Forecast dividend 2021	1 cents
Dividend yield 2021	0.3%
Financial year end	31 December

Source: Source: Refinitiv, Peel Hunt

OCADO (OCDO)

Very few UK stocks are targeting global domination but that is the ambition driving the **Ocado (OCDO)** story.

The Covid-19 pandemic has shifted the market in its favour, with a significant jump in people around the world shopping for groceries online. This behaviour is likely to accelerate investment by supermarkets in their online fulfilment capabilities.

A joint venture with **Marks & Spencer (MKS)** provides a nice income stream to Ocado but the latter is fundamentally a robotics and automation business rather than a delivery company.

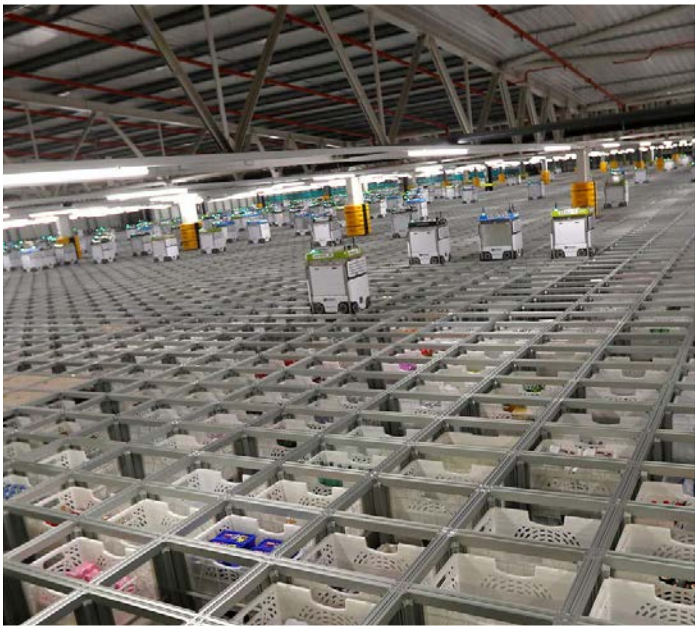
It licences systems to grocery companies to power their fulfilment centres, essentially large warehouses where a lot of the picking is done by robots.

To date Ocado has signed up seven supermarkets outside the UK as partners including names in the US and Japan, where growth opportunities are massive. Two partners, Sobeys in Canada and Casino in France, now have operational centres.

In the US, Kroger will launch its first centre using Ocado technology in 2021 and has big plans to add more automated warehouses. It is also paying Ocado to improve the efficiency of picking goods in-store for click and collect orders.

Ocado typically incurs £20 million to £30 million cost for the technology hardware and software for each warehouse, while each supermarket partner pays for construction of the property. Ocado gets a cut of sales from each warehouse.

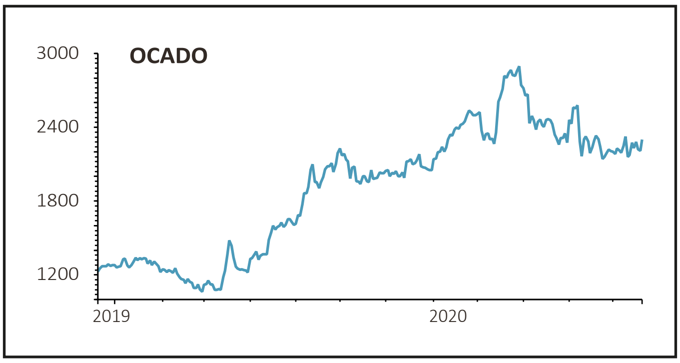
In August, broker Peel Hunt said: 'Ocado's deals to date add up to £210 billion in gross sales, which is 7.5% of its £2.8 trillion key markets. Ocado believes it could hit 25% market share, as the market leader, and over time 75% to 80% could go online. As it takes a 5% fee as its revenue, this turns into an annual revenue stream of £26 billion+.'



Future initiatives could see Ocado play a role with robotic preparation of ready meals or salads and it has invested in a business involved in vertical farming, which is shelving to grow herbs, salad, fruit and vegetables. That could see fresh produce grown next door to a supermarket.

The company is not forecast to make a profit in the next two years as it will take time to get partners' operations up and running. As such, investing in Ocado means taking a longer-term view of the opportunity.

Risks include competition, although Ocado is off to a strong start in its bid to be a market leader, and legal action being pursued by Norway's AutoStore over robot technology patents. Ocado has issued a strong rebuttal but it's worth monitoring the situation.



Share Price	£23.01
Market cap	£16.5 billion
Forecast EPS 2021	n/a
PE 2021	n/a
Forecast dividend 2021	n/a
Dividend yield 2021	n/a
Financial year end	30 November

Source: Source: Refinitiv

PZ CUSSONS (PZC)

Risk-tolerant investors should follow respected fund manager Nick Train into **PZ Cussons (PZC)**, the branded consumer goods group embarking on a multi-year turnaround under new chief executive Jonathan Myers.

Admittedly, the company's profits have disappointed in the past, but there is extraordinary value in its portfolio of personal care, home care and beauty brands which Myers can unlock with the help of finance director Sarah Pollard, a new recruit from Nomad Foods.

Shares believes a refocus behind PZ Cussons' strongest brands in key markets can boost sales growth, while a simplification of the business is eliminating unnecessary costs, actions which should eventually narrow a wide price to earnings discount to the group's European home and personal care peers.

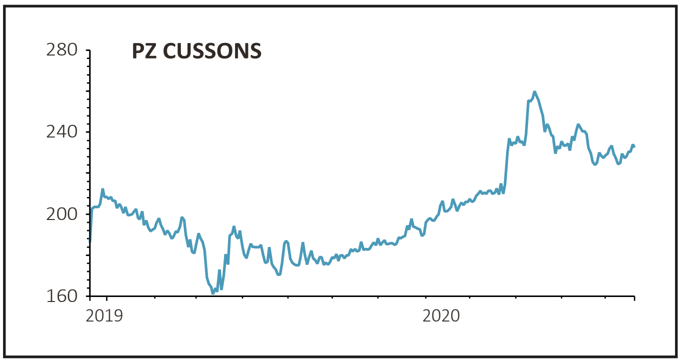
Discerning investor Nick Train backs companies that own beloved or essential consumer brands such as PZ Cussons, held in his **Finsbury Growth & Income Trust (FGT)**.

PZ Cussons' enviable portfolio of personal care and beauty brands includes Carex, the UK's number one hand wash brand; Imperial Leather soap-to-shower gel; and tanning brand St Tropez.

Train believes owners of trusted brands can not only negotiate but harness digital disruption, giving us added confidence that Myers' turnaround strategy can pay off.

He has already set about streamlining and focusing the business following an initial review, which helped PZ Cussons deliver 19% first quarter sales growth in combination with a Covid-driven boost in demand for its hand hygiene wares.

Conducted to account for pandemic-induced changes in consumer behaviour, the results of a further review, including Myers' strategy to deliver sustainable revenue growth and improved margins, will accompany the half-year results on 26 January, potentially acting as a positive near-term catalyst for the share price.



Over the long term, we see scope for strong growth driven by a return to profitability in Africa, increased investment behind the company's prized portfolio of brands and sharper execution under Myers' leadership.

Encouragingly, the first quarter update highlighted 'excellent' performances in the UK and Indonesia, as well as recovery in the beauty business, Australia and Nigeria, the key Africa market that has long proved a trouble spot for PZ Cussons, yet boasts dramatic long-term potential for consumer goods brands.

Liquidity is strong and net debt is coming down at PZ Cussons, de-risking the investment case. Numis' current estimates for the year to May 2021 suggest that PZ Cussons will deliver improved pre-tax profit of £63.7 million (2020: £62 million), ahead of £72.7 million in 2022.

Share Price	233p
Market cap	£1 billion
Forecast EPS 2022	12.59p
PE 2022	18.5
Forecast dividend 2022	6.6
Dividend yield 2022	2.8%
Financial year end	31 May

We've used 2022 forecasts because the market is forward looking and the financial year end is 31 May, so investors will soon be more focused on 2022 numbers

Source: Source: Shares, Refinitiv

QINETIQ (QQ.)

Strong revenue gains delivered by **QinetiQ's (QQ.)** international business is underappreciated by investors and will continue to drive double digit growth. At some point the market will wake up and value the business on a higher rating.

Defence, cyber security, evaluation and testing company QinetiQ initiated a new growth strategy four years ago to increase the proportion of international sales from 20% to half of the business.

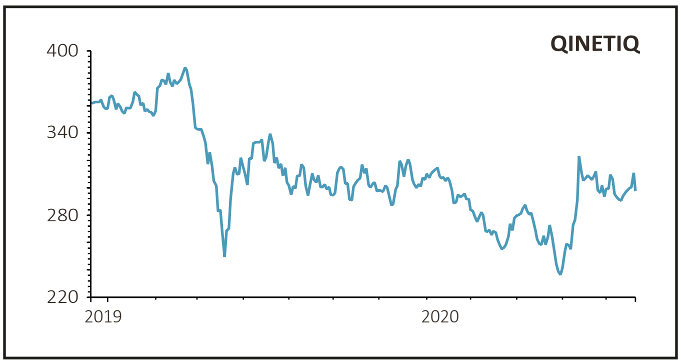
Impressively, international revenues have grown at a compound annual growth rate of 30% a year over four years to reach £213 million, reaching 35% of total revenues.

In the recent first-half update (12 Nov) QinetiQ raised full-year guidance for operating profit to be above £130 million and reinstated medium-term targets for revenue growth in low double-digits and an operating margin in the 12% to 13% range. Analysts have been upgrading their estimates for full year profits.

The company has diversified into faster growing niches by acquisition such as advanced sensory solutions through the purchase of US-based MTEQ and data analytics through the acquisition of Naimuri. MTEQ provides unmanned robotic bomb disposal devices for the US army.

QinetiQ has 30% market share of the UK's testing and evaluation of military equipment as well as training through a long-term Ministry of Defence (MOD) contract. Management has identified a global market opportunity for its services worth around £8 billion.

The company was formed in 2001 when the MOD split is Defence Evaluation and Research Agency (DERA) into two parts. The larger part



including most of the non-nuclear testing evaluation businesses was rebranded QinetiQ, which is derived from kinetic, a scientific word for motion.

In 2003 the company signed a 25-year long-term partnering agreement under which it supplies the MOD with innovative testing and evaluation of military and civil platforms and weapons for land, sea and air. Essentially QinetiQ makes sure equipment works as intended and provides training which sometimes includes simulated battle exercise.

Around 75% of revenues are derived from assurance, evaluation and training with the rest coming from building products.

Critics can justifiably point to earnings growth lagging revenue growth. This will normalise as past investments translate in faster profits growth.

It is a high-quality business with most work delivered on long-term contracts which provide high visibility on revenues as well as good cash generation.

We believe investors have yet to appreciate the growth opportunity and consistent management execution of the strategy.

Share Price	299p
Market cap	£1.8 billion
Forecast EPS 2022	21.02p
PE 2022	14.2
Forecast dividend 2022	7.26p
Dividend yield 2022	2.4%
Financial year end	31 March

We've used 2022 forecasts because the market is forward looking and the financial year end is 31 March, so investors will soon be more focused on 2022 numbers

Source: Source: Shares, Refinitiv

RWS HOLDINGS (RWS:AIM)

RWS (RWS:AIM) is the world's leading provider of language services and language technology to firms in sectors such as technology, pharmaceuticals, medical equipment, telecoms and chemicals.

The recent acquisition of SDL marks a step change for the business with significant opportunities to grow, and the cost synergies from combining the businesses could be much greater than guided by RWS.

Before the SDL deal, half of RWS's sales came from RWS Moravia, which works with technology companies such as Facebook to make sure their content, websites and apps are tailored to each geography and to ensure brand consistency.

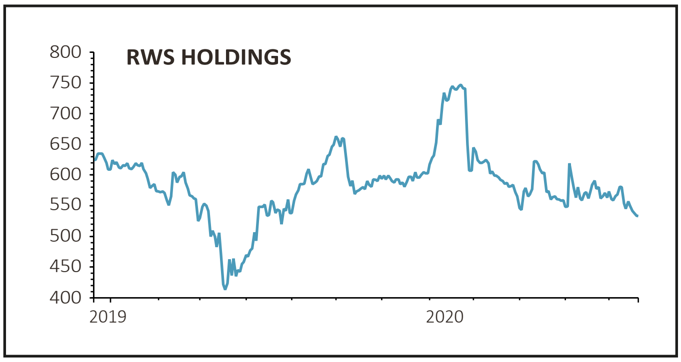
Revenues in the year to 30 September rose 5% to £174 million driven by strong sales to its technology customers at the start of lockdown and increased demand from online sales platforms, web services and financial services clients.

A third of group revenue in the year came from IP Services, which provides patent translations and filing solutions as well as a range of intellectual property search services.

The third business is Life Sciences, which provides technical translations and linguistic validation to large pharmaceutical companies, clinical research organisations and medical equipment manufacturers.

Revenues were up 6% in the year to a record £69 million thanks to strong growth in Covid-related clinical trials, translation work for vaccines and anti-virals, and antibody testing equipment.

In November RWS completed the £854 million acquisition of UK rival SDL, cementing its position as the world's largest language services and technology group with 90 of the top 100 brands by value, all of the top 10 pharmaceutical firms, most of the major West Coast technology businesses and half of the top 20 patent filers worldwide.



Chief executive Richard Thompson told *Shares* that even though the deal was only weeks old, his team had already identified annual synergies above the £15 million initially predicted.

The group's new targets will be outlined in April, but RWS management expects the combination to generate double-digit earnings per share (EPS) accretion in its first full year.

Numis is bullish on cost savings and 'the long-term combination of RWS's operational excellence and SDL's differentiated base'.

Berenberg says RWS is 'highly attractive' with an undemanding valuation and sees earnings upgrades as the synergies from the SDL acquisition – which it thinks could be £40 million per year – flow through, creating 'material value for shareholders'.

Analysts at Jefferies believe annual cost savings could be as much as £50 million, which combined with higher revenues from cross-selling could lead to 17% growth in EPS for the next four years.

Share Price	534p
Market cap	£2.1 billion
Forecast EPS 2021	13.06p
PE 2021	40.9
Forecast dividend 2021	9.85
Dividend yield 2021	1.8%
Financial year end	30 September

Source: Source: Shares, Refinitiv

TRACSIS (TRCS:AIM)

There are important reasons why 2021 could be a really good year for the Leeds-based transport infrastructure and analytics software company **Tracsis (TRCS:AIM)**.

For years Tracsis has scored highly for earnings quality, cash flow and operating efficiency, based on Refinitiv data.

It has had a golden touch with acquisitions, always self-funded from internal cash flow and struck on relatively attractive terms. This has earned the company a growing number of fans.

We believe 2021 will herald a more ambitious phase for the company that will accelerate core growth and crank profit margins higher.

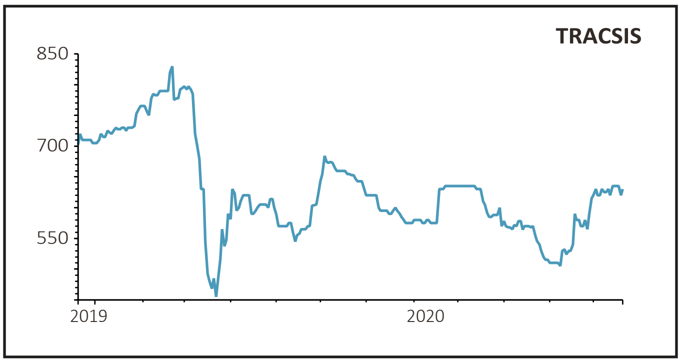
This may seem an odd time to be taking the proverbial bull by the horns, given the huge disruption Covid-19 has had on transport networks and mobility for individuals this year. But Tracsis has used the pandemic to assess its opportunities and will in future concentrate on the rail sector which makes sense once you look at the facts.

Tracsis' business is largely split into rail technology – including software, consultancy and remote condition monitoring that play into automation, analytics and Internet of Things (IoT) investment themes – and traffic and data services.

In the financial year to 31 July 2020 the rail technology and services division generated revenue of £25.6 million while the traffic data services achieved £22.4 million.

The rail side is by far more profitable. Operating profit margins were 36% versus 5.8% from the traffic arm last year, the latter being significantly harder hit by lockdowns, work from home and other Covid impacts. Average traffic and data margins are still barely a third of the rail side (about 11% to 12%).

Aiming for mid-teens rail technology growth



in future, you can see how profits down the line could grow much faster as this part of the business becomes dominant. Tracsis is aiming for double-digit organic growth and this will be topped up by more acquisitions in the future.

Bigger deals will be considered, albeit vetted as carefully and with the same focus on innovation and technology, but potentially loosening stock liquidity, a minor investor bugbear in the past.

This could also accelerate recurring revenues and international expansion, something that hasn't come as quickly as hoped. Last year just 13% of revenue came from outside the UK, mostly from Europe.

Broker FinnCap is already factoring in faster growth and fatter profits, with this year's estimated £9.3 million adjusted operating profit expected to hit £12.4 million in the following year. That's 33% growth and something which should drive the shares much higher.

Share Price	630p
Market cap	£181 million
Forecast EPS 2022	34.8p
PE 2022	18.1
Forecast dividend 2022	2.3p
Dividend yield 2022	0.4%
Financial year end	31 July

We've used 2022 forecasts because the market is forward looking and the financial year end is 31 July, so investors will soon be more focused on 2022 numbers

Source: Source: Shares, Refinitiv

JD WETHERSPOON (JDW)

Hospitality has borne the brunt of the economic impact from the coronavirus pandemic and businesses in the sector have seen an unprecedented drop in income with people either blocked under Government restrictions or too nervous to go to the pub or to a restaurant.

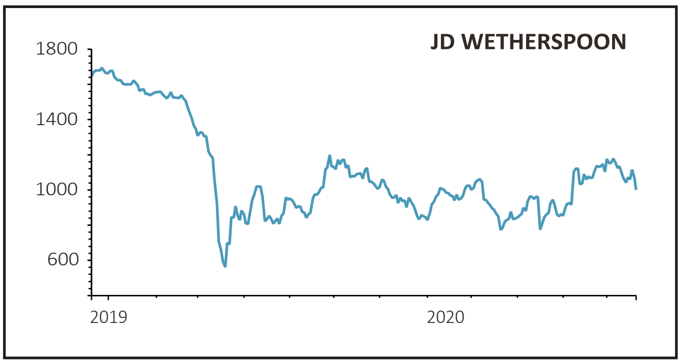
The future of many firms in the industry are in doubt, but one company which has survivor written all over it is pub favourite **JD Wetherspoon (JDW)**.

Described by Shore Capital analyst Greg Johnson as the 'cockroach of the high street', Wetherspoons is seen as best placed of any hospitality business in the UK to not only survive what is set to be a noticeably smaller market for a sustained period, but also gain considerable market share as a result of the shakeout in the pub and hospitality sector.

Given its reputation as being more affordable than many rivals, even if the economy doesn't bounce back as expected in 2021 firms with value-led propositions are expected to outperform their peers. Wetherspoons is arguably best placed of all in the leisure sector, with its cheap meals, strong brand and easy-to-use table service app which make it a lot more adaptable to the current climate than its peers.

This was evidenced by the 32 million customer visits it had in the 10-week period from 4 July across 861 operational pubs as lockdown restrictions in the previous months were eased.

One of Wetherspoons' competitive advantages during this pandemic is the fact the company operates from larger sites than its peers. Along with accommodating landlords and local authorities with regards to using more outside spaces, this helped entice customers back into its pubs.



The company reported a pre-tax loss of £34 million in the year to 26 July. However, according to the consensus forecast compiled by Refinitiv, Wetherspoons is expected to swing back into a profit next year.

Buying the shares ultimately means taking a view that society is going to start returning to normal in 2021. The stock is likely to be volatile until the vaccine is rolled out to a big chunk of the UK population, but we expect decent upside for the share price if people are allowed to move around more freely and feel confident enough to start to get out and about again.

The flipside is that if there are delays to the vaccine roll-out and the pandemic isn't brought under control in 2021 then investors could lose money on this stock. As such, Wetherspoon's shares are not suitable for nervous investors.

Share Price	£10.07
Market cap	£1.29 billion
Forecast EPS 2022	56.9p
PE 2022	17.7
Forecast dividend 2022	8.18p
Dividend yield 2022	0.8%
Financial year end	26 July
We've used 2022 forecasts because the market is forward looking and the financial year end is 26 July, so investors will soon be more focused on 2022 numbers	

Source: Source: Shares, Refinitiv

Janus Henderson INVESTORS

Investing with an **embedded approach to ESG**

Neil Hermon, Director of UK Equities and Portfolio Manager of Henderson Smaller Companies Investment Trust

In recent years the letters E, S and G have never been uttered more. These letters in the context of investing stand for environmental, social and governance and we welcome the fact that they are gaining so much prominence.

GIVEN THE AMOUNT of data and insight amassed on these topics alongside the proliferation of information on social media, it is no surprise that consumer preferences and government agendas have shifted dramatically towards these three words. So too has investor interest. Companies must be cognisant of the ongoing energy transition, as well as changing sentiment towards social norms, occupational behaviour and the firm's wider impact on society and the environment. As portfolio manager of the Janus Henderson Smaller Companies Investment Trust, I am increasingly asked if ESG factors are important to me and how exactly it is that, as an investment team, we incorporate ESG analysis into our portfolio construction.

OUR APPROACH TO ESG INVESTING

Our approach to ESG investing is (and has always been) embedded in our investment process. This is the same process that was put in place when I joined Janus Henderson in 2002. Our "4Ms" process is used to assess companies and the industries they operate in; a valuation overlay is then applied to ascertain whether, in our opinion, we are paying the right price for that company. The "4Ms" process includes an analysis of: *Model*, *Money*, *Management* and *Momentum*.

MODEL

When we analyse business models a key part of our philosophy is focussed on their sustainability. Many factors contribute towards a company's ability to create enduring franchises. Companies that have positive impacts on the environment through efficiency gains or otherwise will often thrive as a result.

MONEY

ESG factors also have an impact on a company's money or financial position. If a company is subject to increased regulation or industry specific taxes this will impact a company's cash generating ability. Furthermore, it is rarely easy to assess the quality of a company purely through the use of financial data and industry analysis.

MANAGEMENT

A determination of the quality of management and key decision makers is one of the most important parts of company assessment. Our belief is that management teams that have a long-term focus, a good track record of shareholder alignment and understand the sustainability or thematic dynamics at play in the industry are more likely to outperform those that do not.

MOMENTUM

Finally, earnings momentum refers to the ability of a company to over-deliver against market expectations and grow earnings strongly into the future. Success here relies heavily on a sustainable strategy being put in place by a strong management team that is overseen by an experienced and independent board.

We believe ESG factors impact all parts of an investment case often implicitly, not explicitly. The effectiveness of a company's corporate governance structure and the impact a company has on the environment and society, we believe, are just as important as more traditional indicators of quality such as cash flow or returns on invested capital.

A company's ESG characteristics directly impact how it is valued. All these factors influence the price multiples the market is willing to attribute to

Janus Henderson INVESTORS

a company's earnings or the cost of capital used to discount its cash flows. Our core belief is that companies that score well on ESG and sustainability factors warrant a premium over time.

INVESTING FOR THE LONG TERM

Does this mean we only invest in companies with strong green credentials or perfectly diverse boards? No, we do not. We believe how a company is valued tomorrow is in many ways more important than how a company is valued today, which is why we do not automatically exclude companies that do not score well on ESG metrics today.

For instance, if a corporate board or management team are committed to improving governance or reducing carbon emissions, we believe there are positive returns to be generated from the increasing earnings multiples the market would be willing to attribute to these stocks in the future. Indeed, as active investors we also see it as incumbent upon us to use our shareholder influence to effect this change. We use the access we have to management to challenge their thought processes or raise awareness of issues. We would also make the point that this is a privilege not afforded to managers of passive investment products.

Ultimately, our job is to try to maximise shareholder returns and that means we need to have an investment process which accommodates, not just appends, the importance of ESG analysis and takes into account all the different factors that drive earnings and valuations 'today and tomorrow'. We believe our process does this and has been integral to the performance delivered so far. Since I joined in 2002 the Henderson Smaller Companies Investment Trust has produced a cumulative NAV total return of 1,239% versus our benchmark (the Numis Smaller Companies Index) which has returned 606%[1] and outperformed the benchmark in the last 15 out of the last 17 financial years.

Annual performance (cumulative income) (%)

Discrete year performance % change (updated quarterly)	Share Price	NAV
30/09/2019 to 30/09/2020	-10.6	-4.0
28/09/2018 to 30/09/2019	-2.9	-5.2
29/09/2017 to 28/09/2018	18.4	10.6
30/09/2016 to 29/09/2017	23.6	26.2
30/09/2015 to 30/09/2016	7.4	9.1

All performance, cumulative and annual growth data are sourced from Morningstar as at 31 October 2020

Net asset value (NAV) – The total value of a fund's assets less its liabilities.
Valuation metrics – Metrics used to gauge a company's performance, financial health and expectations for future earnings eg, price to earnings (P/E) ratio and return on equity (ROE).

[1]Source: Janus Henderson Investors, as at 18 November 2020

The year Baillie Gifford took over the investing world

Many of its funds have been best performers this year, but if value makes a comeback will success be harder to achieve in 2021?

We all know the many things 2020 will be remembered for, but in the investment world it's been a historic moment for the performance of Baillie Gifford's investment funds.

It's been the year many societal and economic trends have accelerated sharply, and this has fueled what some fund managers and analysts have called 'extreme growth' in certain parts of the stock market.

As arguably one of, if not the purest growth investment house in the UK, the way stock markets have performed this year could not have been any more suited to Baillie Gifford's investment style.

HAVING MONEY IN THE RIGHT PLACE

The pandemic has seen the acceleration of many trends with home working, video calls and online shopping a part of our lives more than ever before, while the focus on a greener, cleaner environment and the importance of healthcare has become sharper than ever.

Baillie Gifford has been right across these trends through its funds and most of its top 10 holdings by position size – including Tesla, Amazon, Alibaba, Shopify, MercadoLibre, Spotify, Netflix and Google owner Alphabet – have seen their share prices rise dramatically in 2020.

Tesla has risen five-fold, Alibaba, Amazon, Netflix and Spotify have either doubled or close to it, and MercadoLibre and Shopify have more than trebled.

Top 10 Best Performing Baillie Gifford Funds in 2020

Fund name	Return
Baillie Gifford Worldwide US Equity Growth	123.9%
Baillie Gifford American	123.1%
Baillie Gifford US Growth Trust	122.8%
Scottish Mortgage	106.3%
Pacific Horizon Investment Trust	105.5%
Baillie Gifford Long Term Global Growth	89.8%
Baillie Gifford Positive Change	78.9%
Edinburgh Worldwide Investment Trust	77.1%
Baillie Gifford Global Discovery	70.7%
Baillie Gifford Global Stewardship	69.5%

Source: Morningstar, data to 18 December 2020

EYE ON THE LONGER TERM

Baillie Gifford has always maintained it is a long-term investor and doesn't seek out companies just because they might have a particularly good 2020 or 2021 for example, and its stated aim is to find companies that can double their earnings in

Baillie Gifford holdings have benefited from trends accelerated by the pandemic

a five-year period.

The companies in which it invests may now be able to do that in the space of just one or two years thanks to the big shifts caused by the pandemic. And this is a key reason why many of Baillie Gifford's funds and investment trusts have been top performers in their categories in 2020.

TOP OF THE FUND CHARTS

On the open-ended fund side some of the returns have been stellar. Thanks to the performance of the aforementioned shares **Baillie Gifford American (0606196)** for example has returned a staggering 123% year-to-date, a sector-beating performance which dwarfs the 16.7% return from the S&P 500.

Even in unloved categories like the UK it has at least managed to outperform with the popular **Baillie Gifford UK Equity Alpha (0585819)** returning 3.6%, better than the 9% decline in the FTSE All-Share and well inside the top quartile for funds in the sector.

While on the investment trust side the likes of **Scottish Mortgage (SMT)** and **Edinburgh Worldwide (EWI)** have this year delivered shareholders a return of 106% and 77% respectively.

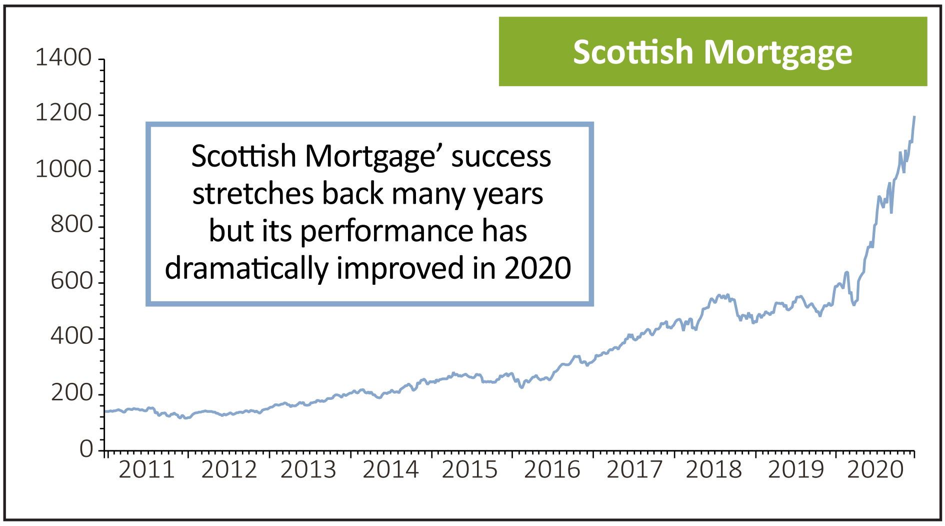
Such performance is also one of the reasons why Baillie Gifford has won some big investment trust mandates this year, notably the popular Witan Pacific and **Keystone (KIT)** investment trusts, which have been renamed **Baillie Gifford China Growth Trust (BGCG)** and (from early 2021) Positive Change Investment Trust.

PEAK BAILLIE GIFFORD?

But it has also led market commentators to wonder whether we are at 'peak Baillie Gifford'. Will its style of growth investing fall flat in 2021?

After all, it could be a year in which the widespread roll-out of coronavirus vaccines means economies start to reopen and discretionary spending increases markedly given the high level of consumer savings and pent-up demand that has accumulated this year. Cheaper value-style stocks could trump more expensive growth.

Should this turn out to be the case, growth in earnings won't just be limited to a select few tech and healthcare stocks and will likely be seen across the



board. The biggest increase could potentially come from stocks in the travel and leisure sector, an area which has been firmly in the value bucket in 2020, while financials and energy stocks could also do well in an economic recovery situation.

That in turn, at least in theory, could make the growth stocks that have done so well this year less appealing in 2021 as investors can pick up similar if not better levels of growth at a much cheaper price. That could suppress the share prices of the higher rated quality growth names that have done well over the past few years – at least relative to the wide market – and by extension negatively impact the performance of Baillie Gifford's funds, none of which have a value tilt.

BAILLIE GIFFORD'S RESPONSE

The firm's distribution and marketing director James Budden unsurprisingly sees this differently and dismisses the notion that next year will redefine the investment case for value stocks.

Budden tells *Shares*: 'The idea that suddenly in 2021 oil is going to make a comeback, banks are going to become really structurally strong businesses again and that these companies are just going through a mispricing quite palpably is not true.

'Everyone likes a bargain and these companies will have ups and downs, but [investing in value stocks] won't be actual investing – it's just trading.'

“Markets are driven by small groups of exceptional companies”

THE 'ACTUAL INVESTING' AGENDA

For the past few years Baillie Gifford has been pushing the idea of 'actual investing' as the key to driving long-term returns, arguing that the asset management industry generally has lost its way.

It defines 'actual investing' as deploying cash into tangible sustainable activities – like technological progress, medical breakthroughs or building better infrastructure – and allowing firms to grow and prosper over the long term.

It also stresses that 'actual' investment requires a willingness to be different, accept uncertainty and the possibility of being wrong.

TOO MUCH OVERLAP IN ITS FUNDS?

Besides the question mark over whether growth will still deliver better returns than value next year, it has also been pointed out that a lot of the top holdings in many Baillie Gifford funds feature the same stocks.

Scottish Mortgage, Baillie

Baillie gifford funds have common holdings

Baillie Gifford funds with 5% or more of the portfolio held in **Tesla**	
Scottish Mortgage	10.8%
Baillie Gifford American	9.1%
Baillie Gifford Positive Change	9.0%
Baillie Gifford US Growth Trust	8.6%
Baillie Gifford Long Term Global Growth	8.4%
Baillie Gifford Global Discovery	5.9%
Baillie Gifford Global Stewardship	5.0%

Baillie Gifford funds with 5% or more of the portfolio held in **Amazon**	
Baillie Gifford Long Term Global Growth	7.80%
Scottish Mortgage	7.30%
Baillie Gifford US Growth Trust	6.80%
Baillie Gifford American	6.30%

Source: FE Fundinfo, 18 Dec 2020

Gifford American and **Baillie Gifford Positive Change (BYVGKV5)** – which between them hold well over £20 billion of investors' money – for example all have Tesla as the top holding, and the stock makes up between 9% and 10.8% of each fund.

An investor in all three would therefore be significantly exposed to fluctuations in Tesla's share price.

When asked how Baillie Gifford defends against that perceived concentration risk, Budden insists each fund has strict risk parameters in place, highlights that between Scottish Mortgage and the Positive Change fund for example there is a crossover of just 21% to 22% maximum, and also rejects the idea in the first place that there is concentration risk.

He explains: 'Each team on each fund makes their own decisions. Don't think it's a case of decisions coming from above saying "you must buy Amazon or you must buy Tesla". It's not a simple read-across.

'At the end of the day markets are driven by small groups of exceptional companies. That's what's driven US markets, that's what's driven Chinese markets – just look at the performance of Alibaba, Tencent, Nio compared to the others. That's the driver of market returns, and academic research points to this as well.

'The idea you should be investing in lots of other companies to avoid risk or volatility against an index, or just for the sake of diversification, is quite bizarre.'

REAPING THE REWARDS

Given its stellar performance in 2020, it could perhaps be argued Baillie Gifford has got lucky this year with the conditions created by the pandemic just happening to suit its style.

But the company has held positions in the likes of Tesla and Amazon for many years, and so its outsized gains over the course of the year have been in the making for a long time. Famously a long-term investor, Baillie Gifford is now reaping the reward for sticking to its long-held convictions.

By **Yoosof Farah**
Reporter

Terry Smith on lessons learnt in his first 10 years at Fundsmith

This collection of shareholder letters and articles is a gold mine for investors

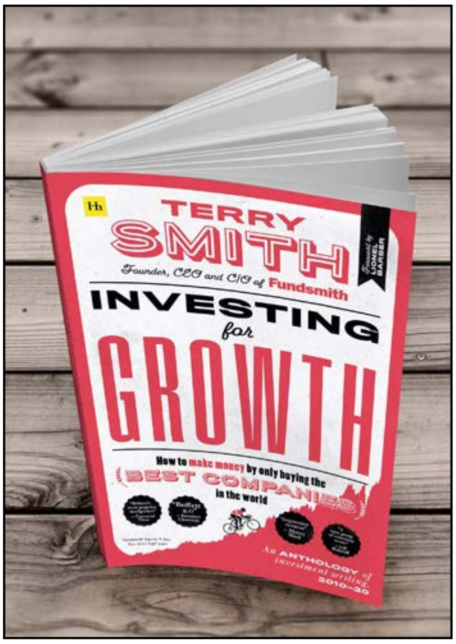
In a neat play on words, analyst turned investment chief turned fund management guru Terry Smith has published a collection of newspaper articles and shareholder letters from 2010 to 2020 under the title *Investing for Growth*, echoing that of his 1992 book on corporate shenanigans, *Accounting for Growth*.

Smith, who founded asset manager Fundsmith, has no need to worry about attempts to ban his latest book: it is more likely to become part of a teaching course given his immense success as an investor.

BUY GOOD COMPANIES

While the Fundsmith mantra should be well-known to readers – once again, for good measure, 'buy good companies, don't overpay, do nothing' – these collected writings delve more into Smith's thinking on how to identify good companies in the first place and, equally importantly, how to identify duff companies.

They also take us on detours into share buybacks and why they don't add value, what investors can learn from the Tour de France, why exchange-traded funds (ETFs) are riskier than most investors realise, and why



the explosion in ESG investment offerings means we might not be getting quite what we thought.

When it comes to how he picks companies to invest in, the short answer is 'carefully'. He says: 'Very few companies make it through our filtering system and even fewer make it into our portfolio.'

Smith looks for companies which have 'superior financial performance', although that needs to be an outcome of their operations and not their primary objective.

Typically, companies need to offer 'a superior product and/or service which enables them to generate these impressive financial returns and prevent competition from eroding them,' he says.

He then looks for the opportunity to buy at a discount. A prime example is Microsoft, which Fundsmith originally bought at $25 per share when the firm seemed to have lost its way both in mobile phones and internet search under its old chief executive.

Smith recalls 'a cacophony of comments' from his own investors as well as financial analysts saying he shouldn't have paid $25. 'They were right', says Smith, 'albeit not in the way they intended given that we have made nearly ten times our money on our first purchases of Microsoft.'

PLENTY OF STORIES

The book dives into quite a few different sectors including why the Fundsmith head doesn't like to buy shares in banks. It's down to a principle of never investing in a business which must borrow money to make an adequate return on equity – more specifically, he won't back companies who need to borrow to survive.

'Banks rely on leverage to a greater extent than any other business. A 5% equity to assets ratio for a bank is leverage of 19 in debt to 1 of equity,' writes Smith.

'The good news about such high leverage is that when something goes wrong, at least you go bust quickly.'

Smith tells a story from the 1980s where there was a period of nervousness in Hong Kong following the signing of the joint declaration regarding the colony's handover to China. It caused property prices to fall and banks to run up bad debts.

'During this febrile period, a queue of people waited for a bus. It started to rain, and the queue moved across the pavement to shelter under the cover of a canopy on a building, which happened to house a branch of a local family-controlled bank,' he recalls.

'Passers-by, seeing the queue, concluded that there was a problem with the bank. Rumours of a run spread rapidly and by the following day, the bank was besieged by depositors demanding to withdraw their savings.'

STRAIGHT TALKING

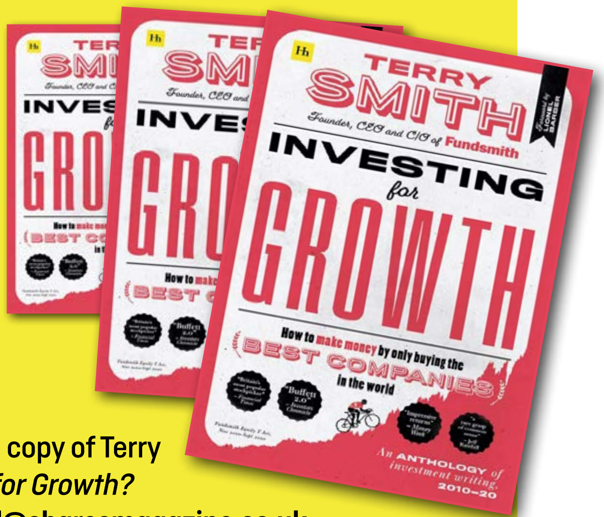
Fans of well-known investors such as Warren Buffett and Benjamin Graham won't be disappointed with the book – it is liberally sprinkled with words of wisdom from all three – but Smith is far from in thrall to them.

He even indulges in a spot of one-upmanship with Buffett over IBM, which Berkshire bought and Fundsmith rejected, and which has lost over 40% of its market value in the last seven years, suggesting the Sage of Omaha should have listened to his own advice rather than be seduced by the firm's 'roadmap'.

This type of 'straight talking' is typical of Smith and the book is all the better for it. True to his reputation, he pulls no punches, and investors couldn't ask for a clearer insight into his single-minded investment approach.

By **Ian Conway**
Senior Reporter

WIN A COPY OF TERRY SMITH'S BOOK



WOULD YOU like to win a copy of Terry Smith's book *Investing for Growth?*

Simply email **editorial@sharesmagazine.co.uk** with the words '*Terry Smith book competition*' in the subject line. Please include your name and postal address and we'll pick two winners out of the hat.

The deadline for entries is 4 January 2021.

BONUS GIVEAWAY: FREE INVESTMENT TRUST E-BOOK FOR ALL READERS

Shares readers can download an electronic copy of *The Investment Trusts Handbook 2021* for **FREE** from [Harriman House]

The 280-page e-book contains comment by analysts, fund managers and investment writers about investments trusts and includes lots of data and analysis.

Articles including how to read an investment trust annual report, which investment trust directors and managers have the largest personal shareholding in the trusts they are responsible for, and is it possible to do well by following ESG principles?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and now get cashback too
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Terms and conditions apply.
Capital at risk. Pension rules apply.
Check you won't lose out by transferring.
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CUSTOMER EXPERIENCE RATING
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GOLD AWARD
Autumn 2020
Recommended Provider
Which?
Self-Invested Personal Pensions July 2020

Insightful commentary on market issues

RUSS MOULD
AJ Bell Investment Director

Is food one reason why inflation could crop up in 2021?

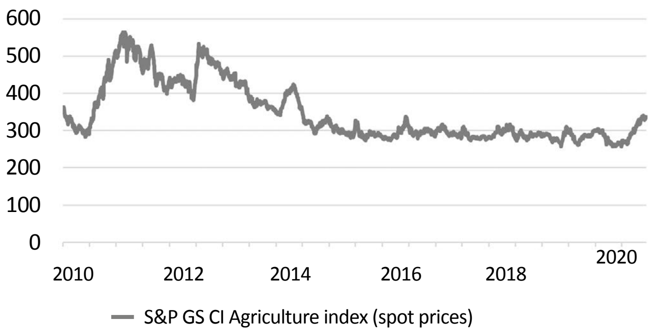
Soft commodity prices are on the move after years of being relatively subdued

A month ago (*Shares*, 26 Nov 2020) this column flagged how commodity prices were rising and how this could be a possible harbinger of inflation, whether it was down to near-term factors such as a La Niña weather pattern or something more deep rooted.

The answer will only become clear with the fullness of time but one trend is worthy of further attention, namely the movement in the S&P GSCI Agriculture index because if ever a price chart suggests an asset class is breaking a multi-year downtrend then this could be it.

This benchmark follows the price of eight crops, or 'soft' commodities – two types of wheat, corn, sugar, soybeans, coffee, cocoa and cotton. For the record, it is soybeans, Kansas wheat and corn that seem to be making the biggest gains. Cotton prices are also running but since this column is not in the habit of eating the stuff it will be set aside for the purposes of this study.

Agricultural crop price index might be breaking a long downtrend



Source: Refinitiv data

WEATHER PATTERNS

La Niña's impact on the unusually dry weather in the US Midwest is one reason why soybeans are so bouncy, along with Chinese buying amid US trade tensions as the country looks to rebuild pig herds after a bout of swine fever.

Dry weather in the UK, Ukraine and Romania may explain the strength in wheat prices and the same, La Niña-related phenomenon underpins corn prices as Brazil and Argentina wait on late-developing crops.

All of this suggests that prices could soften as

Soybeans, wheat and corn prices have gone up the most over the last 12 months

	Price change, last 12 months
Soybeans	29.1%
Kansas wheat	22.4%
Cotton	14.4%
Corn	11.3%
Sugar	4.4%
Soft wheat	1.8%
Cocoa	-4.4%
Coffee	-15.1%

Source: Refinitiv data

RUSS MOULD

AJ Bell Investment Director

fast as they firmed, especially if the dollar starts to strengthen.

Based on the DXY ('Dixie') trade-weighted index, the buck is trading near three-year lows just under the 90 mark, but if it rallies this will make dollar-priced soft commodities more expensive to buy for countries which don't use the greenback or whose currencies are not linked to it.

Yet there could be another reason why 'soft' commodity prices are firm in so many cases. Trade friction between the US and China, US and Europe, Europe and the UK, and elsewhere could be on the verge of reversing the globalisation trend which has facilitated the smooth and increased movement of agricultural products around the world. Foodstuffs may not have been the main reason for the tensions, but tariffs have been applied in many cases all the same and those levies and taxes have presumably served to increase end-market prices.

In this context, the warning from **Tesco (TSCO)** that food prices could increase by 5% in the event of a no-deal Brexit is worth bearing in mind.

PRICE HIKES

A deal could still ease any such worries but the break in the downward trend in global food prices is eye-catching all the same.

The good news is that in the latest UK inflation figures (15 Dec) food prices fell by 0.6% on average year-on-year, helping to anchor the consumer price index inflation rate at 0.3%.

But if food prices do suddenly take off, history suggests that the headline rate could catch light, a development which neither central banks nor financial markets seem to be expecting.

Intriguingly, the latest food and beverage price inflation rate in the US was 3.7%, miles ahead of the benign headline figure of 1.2%.

Looking at the long-term US data, which has a longer available history than the British version, it could be argued that where food price inflation goes then the headline US consumer price index inflation rate looks pretty sure to follow.

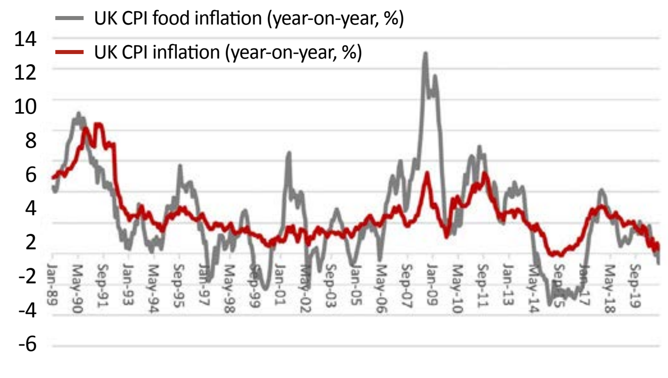
This might be a nasty surprise to US consumers (and British ones if they end up with the same trend), whether this is down to La Niña, nationalism, tariffs or something else. It could be the sort of trend that triggers demand for higher wages.

Whether labour feels sufficiently empowered to put its foot down right now, as unemployment ticks higher thanks to the pandemic and the economic damage wrought by lockdowns, is admittedly debatable.

Any historian will tell you that food prices may not be the cause of revolutions or public uprisings, but they can be the trigger for them, with France in 1789, Tiananmen Square in 1990 and the Arab Spring in 2011 as examples.

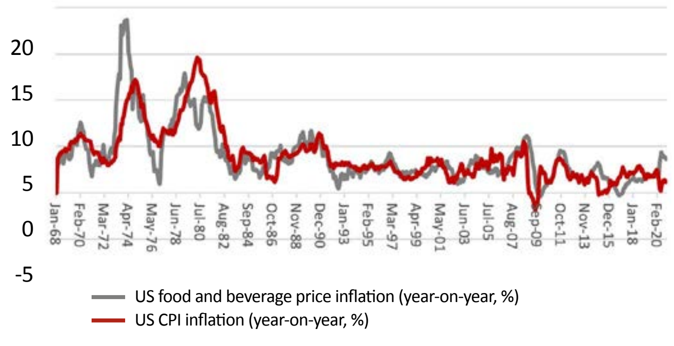
This column is not suggesting that geopolitical turbulence will result but from the narrow perspective of financial markets any sustained bout of inflation would be a major revolution of a different kind.

UK food price inflation is still subdued...



Source: Office for National Statistics

.... but it seems to be gathering pace in the US



Source: Office for National Statistics

Is China still a developing economy?

Chinese dominance of emerging market indices looks set to grow

The size of China's economy and its financial markets mean it dominates emerging market indices to a very large extent.

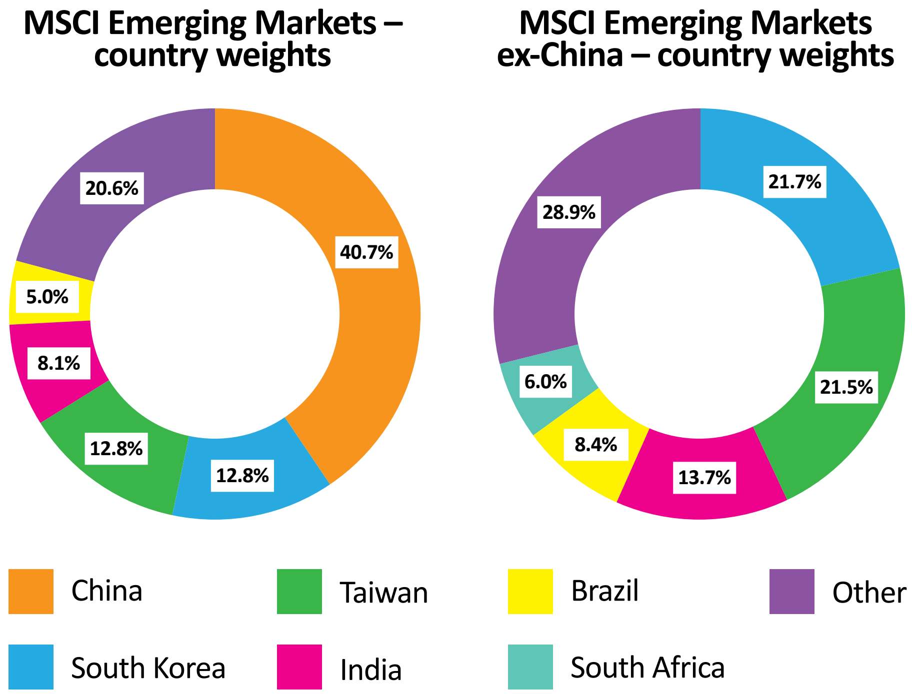
Just look at MSCI Emerging Markets and its counterpart at rival provider FTSE Russell. China accounts for six of the top 10 constituents of MSCI Emerging Markets and 40.7% of the index as a whole.

Its dominance of FTSE Russell's index is even more stark because FTSE doesn't include South Korea – China is more than 45% of the index and again its companies fill six of the top 10.

With Chinese domestic 'A shares' lined up for inclusion in these indices, China's ascendancy will only grow.

There is a debate about whether or not China is really an 'emerging market' anymore given it is the world's second largest economy. The reason it still falls into that category is because of various governance considerations and metrics such as GDP per capita.

However MSCI also has an index which excludes China and is therefore more balanced in terms of its exposure to different geographies.



Source: MSCI, 30 November 2020.

No single country represents more than 25% of the overall index, South Korea has the largest weighting at 21.65%.

Interestingly there are substantial differences in terms of sector exposure too, with information technology at the top whereas consumer discretionary occupies this spot in the core emerging markets index.

Emerging markets: Views from the experts

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

1. We are of the opinion that there are a number of high-level reasons to be positive on emerging markets (EMs) based on a combination of a **Joe Biden presidency and a Republican Senate** in the United States. First, we believe this election result is likely to cap US interest rates for longer and therefore weaken the US dollar, thereby inducing a flow of money into EMs, further benefiting those countries. Second, we could expect a softer policy stance toward China. Overall, EMs are holding strong and are expected to benefit from the Biden win, including better relationships as well as new trade deals.

2. While some countries have backed away from globalisation, not all countries are keen to disrupt existing trade relationships. In fact, many continue to seek renewed trade deals, deepening integration with others. Many recognise the benefits of free trade and the need to have rules-based organisations to govern trade agreements. On 15 November, China, Japan, South Korea, Australia, New Zealand and the 10 member states of the Association of Southeast Asian Nations (ASEAN) signed the **Regional Comprehensive Economic Partnership (RCEP)**, which some have dubbed 'the world's biggest free trade zone'. The RCEP represents a significant regional trade bloc, covering about 30% of the world's population and accounting for approximately 30% of global gross domestic product (GDP). As the Covid-19 pandemic continues to restrict global economic growth, this new partnership looks to provide a jump-start to growth.

3. In recent years, international supply chains have come under mounting pressure. As Sino-US rivalry has extended from trade to technology, we are seeing the development of 'one world, two systems' in which geopolitical considerations play an increasingly dominant role in

driving technology and trade patterns. It is companies integral to **global technology hardware production** —supplying key products to both China and the United States—that may have to be most adaptive. As active, engaged investors, we identify three characteristics that may facilitate success: intellectual property, improving competitive dynamics and global diversification.

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.

Fund and investment trust picks for 2021

AJ Bell's Ryan Hughes offers ideas for investors with different risk appetites and those looking for income

By **Ryan Hughes**
AJ Bell head of active portfolios

Recognising that investors are often keen to deploy their hard earned savings in the market but don't know where to invest, AJ Bell fund expert Ryan Hughes has pulled together a list of eight funds that he thinks will do well in 2021.

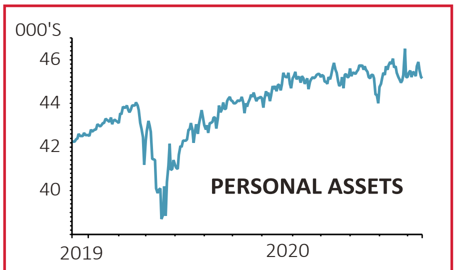
He's separated them into four categories, thereby appealing to investors either with different risk appetites or specific investment needs.

CAUTIOUS INVESTMENT TRUST

PERSONAL ASSETS (PNL)
£452.50

PREMIUM TO NAV: 1.5%

5-YEAR ANNUALISED RETURN: 7.1%

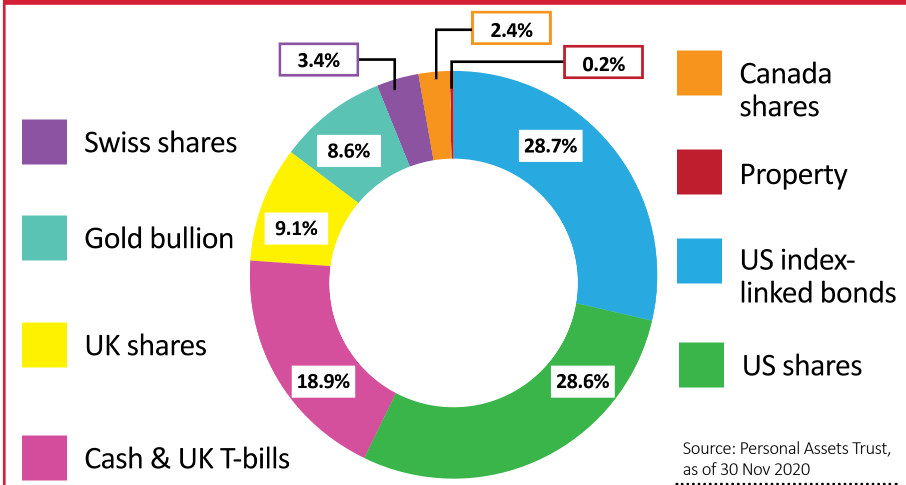


THE DEFENSIVE NATURE of **Personal Assets' (PNL)** approach sits well for those investors who worry that markets remain at or close to all-time highs and fear the return of inflation.

Manager Sebastian Lyon takes a naturally cautious approach and has some built-in inflation proofing with 10% exposure to gold and a further 28% in index-linked bonds.

Add in 40% in high quality equities that possess the ability to compound returns and you end up with an appealing portfolio, not just for cautious investors but also those who want to add diversification to their portfolio. The approach of 'winning by not losing' is one that is often forgotten by many investors.

PERSONAL ASSETS TRUST: BREAKDOWN



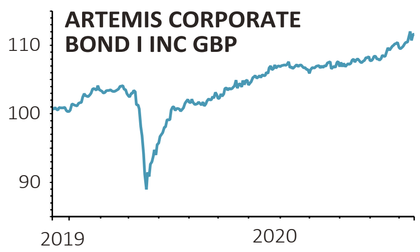
Source: Personal Assets Trust, as of 30 Nov 2020

CAUTIOUS FUND

ARTEMIS CORPORATE BOND (BKPWGV3)

PRICE: 111.38P

TRAILING RETURNS YEAR TO DATE: 14%



WITH YIELDS ON cash being almost non-existent, some cautious investors may be looking to obtain a little extra return. Yields on corporate bonds may be low but they do offer a step up over cash and therefore still have a role to play for investors.

And with some companies likely to struggle through 2021 and potentially go bust, taking an active approach to the asset class with a manager prepared to invest away from the benchmark could be beneficial.

THE FUND IS ONLY JUST OVER A YEAR OLD BUT HAS GROWN TO NEARLY £500 MILLION

Artemis Corporate Bond brings just that with a pragmatic manager in Stephen Snowden who is comfortable standing out from the crowd and being genuinely active. The fund is only just over a year old but has grown to nearly £500 million, helped by a low fee of 0.4%.

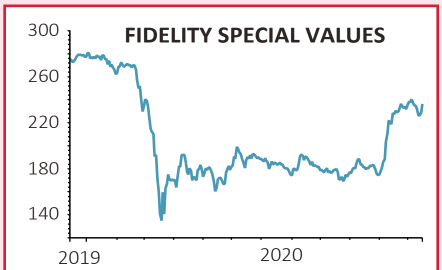
Halfords is one the biggest stakes in Fidelity's portfolio.

BALANCED INVESTMENT TRUST

FIDELITY SPECIAL VALUES (FSV) 235.23P

DISCOUNT TO NAV: 1.4%

5-YEAR ANNUALISED RETURN: 5.5%



The UK market is at an interesting inflection point as we run into 2021. It has lagged global markets for many years as the structure of the market with a large allocation to old economies such as oil and a large financials weighting has hampered returns.

With the conclusion of Brexit finally here, there is a chance that investors once again begin to look at UK equities and for that discount to close.

Fidelity Special Values, managed by Alex Wright, could be well-placed to capitalise on this shift with his focus on solid but out of favour companies.

The burst of performance seen late this year when news of the vaccine was announced shows how much performance potential is in these stocks and this is helped by the 18% gearing Wright has currently employed to take advantage of price weakness.

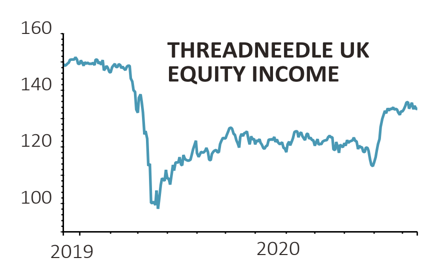
Another plus is the imminent cut of fees on the trust, taking c0.2% off the ongoing charges figure in the New Year.

BALANCED FUND

THREADNEEDLE UK EQUITY INCOME (B8169Q1)

PRICE: 132P

5-YEAR ANNUALISED RETURN: 5.6%



MANY INVESTORS HAVE been underweight core UK equities for a while but, with a potentially improving picture, boosting domestic exposure to take advantage of the discount to global equities may be attractive.

The Threadneedle UK Equity Income fund managed by Richard Colwell is proof that value can be added despite being significantly exposed to larger companies.

VALUE CAN BE ADDED DESPITE BEING SIGNIFICANTLY EXPOSED TO LARGER COMPANIES

While this is an income focused fund, it is very much managed on a total return basis and makes for a solid core UK equity holding.

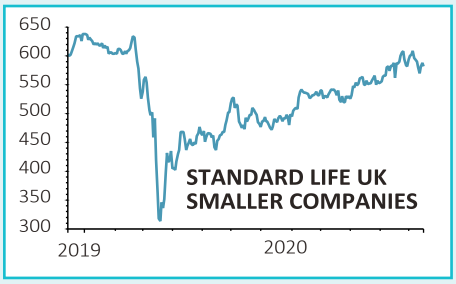
The approach is best described as gently contrarian and Colwell is happy taking active positions with big underweights currently in financials, miners and oil stocks, despite their potentially higher yields.

ADVENTUROUS INVESTMENT TRUST

STANDARD LIFE UK SMALLER COMPANIES (SLS)

DISCOUNT TO NAV: 5.1%

5-YEAR ANNUALISED RETURN: 11.7%



WITH A POTENTIAL rebound in UK equities on the card, gaining exposure to some of the fastest growing companies in the UK could be a potential winner in 2021.

The smaller-companies team at Aberdeen Standard led by the highly experienced Harry Nimmo is very strong and the trust has also recently appointed Abby Glennie as co-manager.

The closed ended structure is a good way to gain exposure to smaller companies and with assets of around £600 million the trust is a nice size to be able to look across the market cap spectrum.

Its approach has a strong preference for growth companies and is very comfortable looking away from the index, which is entirely appropriate in the smaller-companies space.

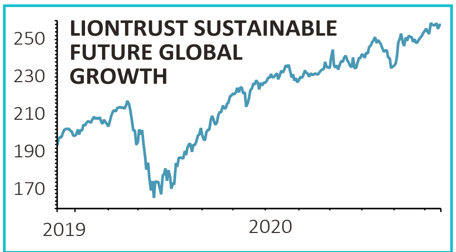
With high active share (the portfolio is very different from the benchmark index), sensible costs and an outstanding track record, this trust is a great example of the benefit of genuinely active management.

ADVENTUROUS FUND

LIONTRUST SUSTAINABLE FUTURE GLOBAL GROWTH (3003006)

PRICE: 265.32P

5-YEAR ANNUALISED RETURN: 20.1%



THE GROWTH IN interest in ESG investing has been one of the big stories of 2020 and it has become firmly embedded and is here to stay.

The team at Liontrust have been investing with a sustainable approach for many years and have a great understanding of the way that companies are adapting to the importance of ESG along with the way that the behaviour of people is also changing.

The fund has a strong growth bias with large allocations to technology and healthcare and therefore naturally has a strong allocation to the US.

With valuations potentially looking a bit rich in some cases, this is in the adventurous camp but for investors that want exposure to sustainable themes, the Liontrust team is up there among the best.

INCOME SEEKERS INVESTMENT TRUST

CITY OF LONDON (CTY) 364.46P

PREMIUM TO NAV: 2.9%

5-YEAR ANNUALISED RETURN: 3.5%

INVESTING FOR INCOME was a nightmare strategy in 2020 with so many companies cutting dividends due to the pandemic.

With a vaccine now starting to be rolled out there is hope that some form of normality can resume, and companies are certainly looking to start paying dividends again, if they haven't already resumed in recent months.

City of London has for many years been one of the standout UK equity income trusts with manager Job Curtis in place since 1991.

The trust has a track record of increasing its dividends every year for over 50 years and intends to maintain this trend, making use of its income reserve.

Even after the recent rally, the trust is yielding over 5% with holdings in UK equities such as **Unilever (ULVR)**, **GlaxoSmithKline (GSK)** and **Reckitt Benckiser (RB.)**. With fees at just 0.36% per year, this is a good option for investors either wanting to take an income or simply want exposure to UK equities and reinvest the income to generate future growth.

INCOME SEEKERS FUND

JUPITER JAPAN INCOME (B6QC0Z6)

PRICE: 113.07P

5-YEAR ANNUALISED RETURN: 13.7%

JAPAN AND INCOME are not always two investment themes that go together but in recent years Japanese companies have evolved to become highly profitable and consequently have significant amounts of cash on their balance sheets.

Sony is the biggest holding in the Jupiter fund

This is translating into dividends with company management showing more understanding of the importance of dividends to overseas investors.

Jupiter Japan Income actively seeks out those high-quality companies that are generating profits and have a willingness to return that to shareholders as dividends.

While the yield may seem low compared to the UK at around 2.4%, the growth of this dividend is key and with low levels of debts in Japanese companies, the potential for income growth in the coming years is very strong.

FOOTNOTE: Data in this article sourced from Morningstar, Winterflood

By **The Shares Team**

BEST Performing STOCKS OF 2020

We reveal the top risers across four different segments of the market

After an extraordinary year we look back at some of the top performers in different size categories from the heavyweights all the way down to sub £100 million market cap stocks at the bottom of the market and examine what has driven them higher in 2020. We have excluded investment trusts.

£4 BILLION + MARKET CAP

Company	2020 performance (%)
1. Fresnillo	78.1
2. Ocado	74.5
3. Flutter Entertainment	64.1
4. Antofagasta	55.4

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Share price movements in mining companies can be about exposure to the commodities they produce rather than the business itself, which has arguably been the case with **Fresnillo (FRES)**.

The gold and silver miner underperformed operationally in 2020 with gold production down 13.7% in the first nine months of 2020 and silver production down 1.8%, but its shares almost doubled in that timeframe.

This partly reflects the 25% rise in the gold price this year and almost 50% rise in the silver price. But it also reflects Fresnillo's ability to capture some of the upside in rising prices as it reported in July a 52% hike in adjusted first-half profit.

Company	2020 performance (%)
5. Renishaw	52.2
6. Ashtead	38.4
7. Polymetal International	37

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

As the leading general equipment rental firm in the US, Canada and the UK, **Ashtead (AHT)** was designated as an 'essential service provider' and was therefore spared the worst effects of the pandemic even as work in many of its markets stopped.

In fact, the firm saw an increase in demand for its specialty equipment used in emergency response work, which has continued through the end of the year meaning earnings are expected to beat earlier forecasts.

With more normal demand and cash flow generation next year, we expect the firm to resume its acquisition and dividend strategy.

Company	2020 performance (%)
8. ASOS	30.2
9. Electrocomponents	28.8
10. Spirax-Sarco Engineering	28

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Online fast fashion retailer **ASOS' (ASC:AIM)** shares rallied strongly off the market bottom after a £239.4 million capital raise at the height of the crisis in April calmed investor nerves.

ASOS then profited handsomely as the pandemic accelerated the shift towards online shopping and changing consumer habits also led to lower product returns, with positive momentum and forecast upgrades powering the shares higher.

ASOS was able to capitalise on the shift from occasion wear into more casual, lockdown-relevant products. In 2021, ASOS hopes that effective vaccines will help lift the economic hardships heaped upon its 20-something customer base by the virus.

Investor's flight to quality through most of 2020 is perfectly illustrated by engineering business **Spirax-Sarco (SPX)**. The thermal energy management and niche pumping specialist had struck an increasingly cautious tone as the year wore on yet investors latched on to the company's excellent record of cash generation and bulletproof balance sheet during this most testing of years.

This optimism has paid off, with trading declines less fierce than previously anticipated and the stock making gains since March, hitting an all-time high of £119.15 in mid-November.

Outside of the top 10 performers, despite aviation being one of the hardest hit industries thanks to the coronavirus pandemic, budget airlines **Ryanair (RYA)** and **Wizz Air (WIZZ)** have still managed to achieve a positive share price performance year-to-date (7.5% and 16.4% respectively).

This reflects their resilient nature in terms of operational performance and financial strength.

Their load factors – how full the planes are – have remained at 60% to 75% for the flights they have operated, compared to under

50% at British Airways owner **International Consolidated Airlines (IAG),** for example.

Both have also been able to push costs lower compared to their rivals and drive ancillary revenues (luggage fees, etc) higher. Ancillary revenues are prized by airlines for their stable nature compared to fluctuating ticket prices.

Part of Wizz Air's strong performance has also been down to its exposure to the higher growth central and eastern European market, as well as its lack of debt compared to its peers.

£1 BILLION TO £4 BILLION MARKET CAP

Company	2020 performance (%)
1. Greatland Gold	1720
2. Eurasia Mining	900
3. ITM Power	447

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

AIM-quoted gold explorer **Greatland Gold (GGP:AIM)** has had a phenomenal 2020 and this in part has reflected the rising gold price, but has also been down to the exciting discoveries it has made.

The company owns the Havieron deposit in Western Australia, which contains an estimated 3.4 million ounces of gold. Over the year Greatland Gold has reported several drilling results showing the project's high potential, something which has helped its share price rise.

Look out for news next year about other projects being explored. The company recently appointed a new CEO as it seeks to unlock further shareholder value in 2021 and beyond.

Company	2020 performance (%)
4. AO World	314
5. Ceres Power	304

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Online electrical retailer **AO World (AO)** thrived during the pandemic as lockdowns shifted buying habits online and drove buoyant sales of laptops, fridge-freezers, washing machines and other electrical appliances.

In 2021, investors will be hoping that the customers and market share secured during this purple patch stick as the world reopens and that AO can at last make some real money, having delivered a modest profit breakthrough in the year to March 2020. The market will also be keeping tabs on AO's rapidly-growing German business, which is forecast to turn a profit in full year 2022.

Company	2020 performance (%)
6. S4 Capital	159
7. CMC Markets	149
8. Petropavlovsk	143
9. Codemasters	134
10. Frontier Developments	131

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

The stellar performance of **S4 Capital (SFOR)** in 2020 suggests the ambition of founder and executive chairman Martin Sorrell in emulating the acquisition-led growth path he achieved at **WPP (WPP)** may not have been overblown.

The company has benefited from its focused strategy as, like in many industries, the pandemic has accelerated the digital transition. The company's three-year plan is to double sales and profit from 2021 to 2023. As Numis analyst Steve Liechti observes: 'We see a nice play on digital/data led growth in marketing given its blank sheet focus and experienced management.'

The pandemic accelerated the growth in gaming with a huge influx of new gamers during lockdowns and many more hours of time spent online.

This was reflected in all the quoted gaming stocks which upgraded their earnings expectations throughout the year, boosting share prices.

The best performing stock among them was racing games specialist **Codemasters (CDM:AIM)** whose shares gained 134% after receiving two takeover bids, the latest from the FIFA football series giant Electronic Arts.

Fantasy worlds gaming company **Frontier Developments (FDEV:AIM)** and premium global games label **Team17 (TM17:AIM)** weren't far behind with gains of 131% and 113% respectively.

£200 MILLION TO £1 BILLION MARKET CAP

Company	2020 performance (%)
1. Novacyt	6220
2. Avacta	538

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Diagnostics firm **Novacyt (NCYT:AIM)** achieved a staggering gain of 6,220%, turning a hypothetical £1,000 investment into £63,200 (not including any charges).

Novacyt was faster than any other UK company to respond to Covid-19 and made the strategic decision to develop a test in early January.

Later the same month its test received clinical use approval from several leading global regulatory authorities.

While a lot of small caps promise growth and disappoint, Novacyt has successfully monetised its early move advantage with first-half revenues growing 10-fold and gross profits 13-fold.

Company	2020 performance (%)
3. Touchstone Exploration	473
4. Pure Gold Mining	280
5. Maxcyte	262
6. Jubilee Metals	195

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Trinidad oil and gas play **Touchstone Exploration (TXP:AIM)** is an outlier in a sector which has been ravaged by oil price volatility as Covid-19 decimated demand.

The reason for its stellar run is a string of positive updates on Ortoire block located onshore on the Caribbean island. The company has discovered large quantities of natural gas with a willing buyer for this resource in the form of the National Gas Company of Trinidad and Tobago.

The company has identified 21 additional drilling prospects to go after on Ortoire and should bring some of the discovered gas on stream in 2021 having secured a sales agreement with the state operator.

Company	2020 performance (%)
7. Naked Wines	173
8. Indivior	162
9. Taseko Mines	162
10. Ergomed	160

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Covid created perfect conditions for online wine retailer **Naked Wines (WINE:AIM)** to thrive and the shares fizzed 173% higher as it capitalised on elevated demand from thirsty-yet-housebound customers, new and repeat alike.

Connecting wine drinkers with world class winemakers from around the globe, investors will be looking to see if growth slows once restrictions on social life are lifted and bars and restaurants (hopefully) reopen fully in 2021. Entering the New Year, there is excitement surrounding the huge growth prize in the US, where wine enthusiasts have become increasingly content to shop online.

A notable feature of the market's performance this year is the number of smaller-to-medium-sized firms which have soared in value. Of UK stocks in the £200 million to £1 billion bracket, 19 achieved gains in 2020 of more than 100%

and 36 stocks have put up advances in excess of 50%.

These sorts of moves are more closely associated with micro-cap stocks, which are often equally capable of dramatic moves in a less positive direction, but it seems more mature businesses can soar too.

£50 MILLION TO £200 MILLION MARKET CAP

Company	2020 performance (%)
1. Synairgen	1500
2. Zoetic International	954
3. EQTEC	904

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Shares in respiratory drug discovery company **Synairgen (SNG:AIM)** surged 1,500% in 2020 after a string of positive trial results for its Covid-19 inhaled drug SNG001.

Patients receiving the drug had greater odds of improvement and recovered more rapidly than those patients receiving the placebo.

The treatment is an important therapeutic option alongside vaccines not just for Covid-19 but other seasonal threats and pandemics.

If the positive results are repeated in the last stage trial currently being conducted the drug will prove superior to US firm Gilead's Remdesivir in the opinion of analysts at Numis.

Hemp grower and CBD oils supplier **Zoetic (ZOE)** enjoyed a strong 2020 thanks to a new distribution agreement in the key US market combined with surge in demand for its 'Chill' brand of tobacco alternative during the pandemic.

In November 2020 the firm announced another 'game-changing' deal which will see its products sold in close to 90,000 corner shops, convenience stores and petrol stations across the US.

Next year should also see the firm submit a validated novel food application to the UK Food Standards Agency prior to the launch of its Chill 'gummies'.

The story at waste-to-energy play **EQTEC (EQT:AIM)** has really gained traction in 2020. The company has developed the EQTEC Gasifier Technology which converts household rubbish into electrical and thermal energy and it is busily selling to developers in the space.

Results for the six months to 30 June revealed growth in its pipeline to €341 million although the business remains loss-making for now. The company is also advancing projects itself, recently taking full ownership of the Deeside Refuse Derived Fuel development in North Wales.

Company	2020 performance (%)
4. Redx Pharma	536
5. Powerhouse Energy	445
6. e-Therapeutics	419
7. Open Orphan	411
8. Sareum	379
9. OKYO Pharma	356
10. Oncimmune	348

Source: SharePad, Data as at 15 Dec 2020. Excludes investment trusts

Outside of the top 10 best performing stocks in the £50 million to £200 million market cap category, the improving prospects of companies with chequered pasts powered strong share price gains. These included a 90.3% advance from **Accrol (ACRL:AIM)**, the private label loo rolls-to-facial tissues maker which has completed an impressive turnaround and established a platform for growth with a whole host of retailers.

Inkjet printing tech company **Xaar (XAR)** advanced 173% as its new strategy began to pay off, while logistics and parcel delivery play **DX (DX.AIM)** rallied 89.6% as its financial revival resulted in some big analyst upgrades.

The trends that will shape a continuing ESG boom in 2021

E will will dominate but S and G are rising up the agenda

It feels as though 2020 was the year when ESG investing finally came of age. Expect more of the same in 2021, only more so.

Throughout the pandemic, whatever happened to share or bond prices, sustainable investing continued to grow as institutions and individuals allocated more and more funds to the sector.

A new cohort of younger, more eco-aware investors has emerged, demanding change, while companies are having to become more accountable and funds are no longer passive bystanders. Responsible and 'positive change' investing are the new normal.

Climate change and carbon reduction still dominate the agenda, but companies are now having to consider governance issues ranging from executive pay to diversity. New investment products are being launched every week, and existing products are being 'greened' in response to customer demand.

CLIMATE CONCERNS FIRST

Not unreasonably, given the more frequent occurrence of extreme weather events, the 'E' in ESG or, in other words, tackling emissions and climate change, is still the priority for investors and companies.

"The encouraging performance of ESG funds during this period of extreme market volatility 'may mark its turning point for overwhelming adoption across investors"

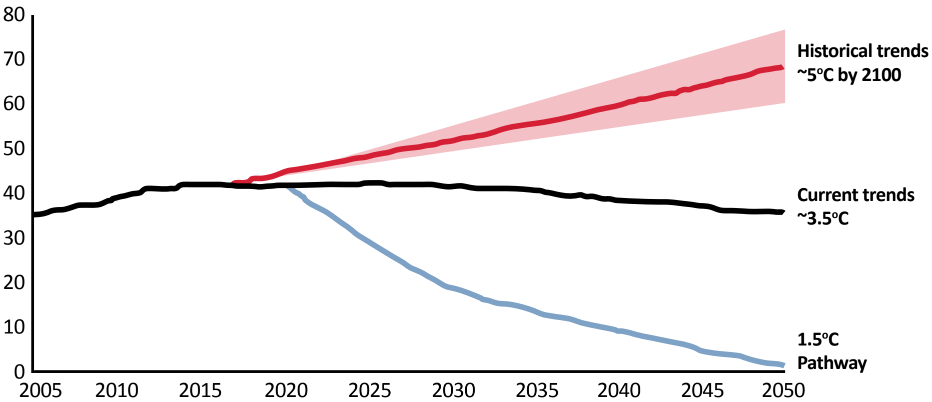
In 2016, global carbon emissions totalled 41 billion metric tons (gigatons). If left unchecked, at their current rate they could reach 60 gigatons by 2050 and cumulative CO_2 emissions could reach more than 1,700 gigatons, putting us on a path to a five-degree increase in temperatures compared with pre-industrial levels.

Ongoing efficiency improvement and the growth of renewables could help lower emissions to 35 gigatons per year, according to McKinsey. That would still leave us with 1,300 gigatons of CO_2 emissions by 2050 and the potential for global temperatures to rise three degrees versus pre-industrial levels.

Both trajectories are a long way from the 1.5 degree pathway which is needed to stave off 'climate feedbacks' such as the loss of arctic sea ice, loss of alpine glaciers, a collapse of the Greenland ice sheet, a collapse of the West Antarctic ice sheet, the dieback' of tropical and boreal forests, and the collapse of ocean circulation patterns including El Niño, which in turn would create runaway global warming.

THE NEXT DECADE IS CRITICAL

Projected global CO_2 emissions
billion metric tons of carbon dioxide ($GtCO_2$) per year



SOURCE: MCKINSEY

Tackling the problem needs every sector to decarbonize extensively and rapidly, from agriculture to industry, power generation to transport

A CHANGING INVESTOR BASE

According to funds network Calastone, the news in November 2020 of several vaccine breakthroughs prompted the biggest flow into active UK equity funds in five years and the second-biggest total inflow on record.

Out of a total of £2.3 billion, £1.6 billion of cash flowed into active funds and roughly £700 million into passive funds, the same level as the previous year. The £820 million of new capital investors added to the ESG category was more in a single month than in the entire five years to January 2020, and was more than double the monthly average of the year to date.

Meanwhile, research from Barclays suggests women and 'Generation Z' are the new stock market players investing with savings made in lockdown. Both groups put ESG towards the top of their investing criteria.

The encouraging performance of ESG funds during this period of extreme market volatility 'may mark its turning point for overwhelming adoption across investors' says Barclays.

Clearly there are positive market tailwinds for specialist asset managers such as **Impax Asset Management (IPX:AIM)** and **Gresham House (GHE:AIM)**.

PRESSURE ON FIRMS RISING

Pressure is growing on firms, not just from outside investors but also from the inside, to incorporate ESG criteria into their internal processes as well as to become 'greener'.

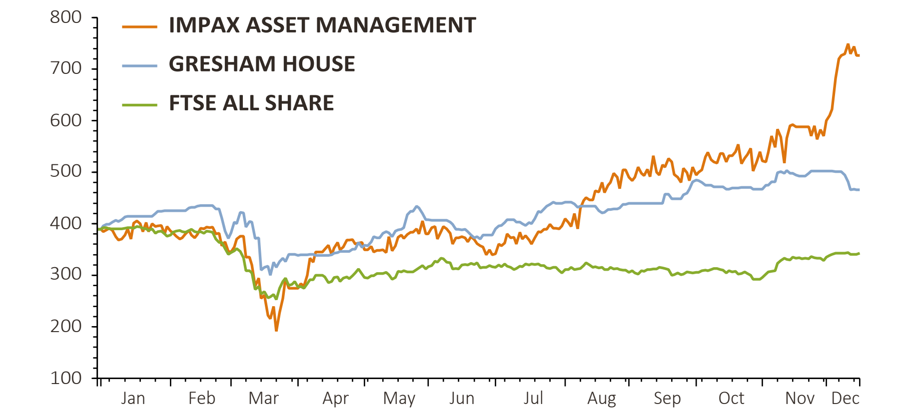
A survey of global firms by consultancy Willis Towers Watson found four out of five believe ESG is 'a key contributor to stronger financial performance' and are even planning to incorporate ESG into their executive incentive plans.

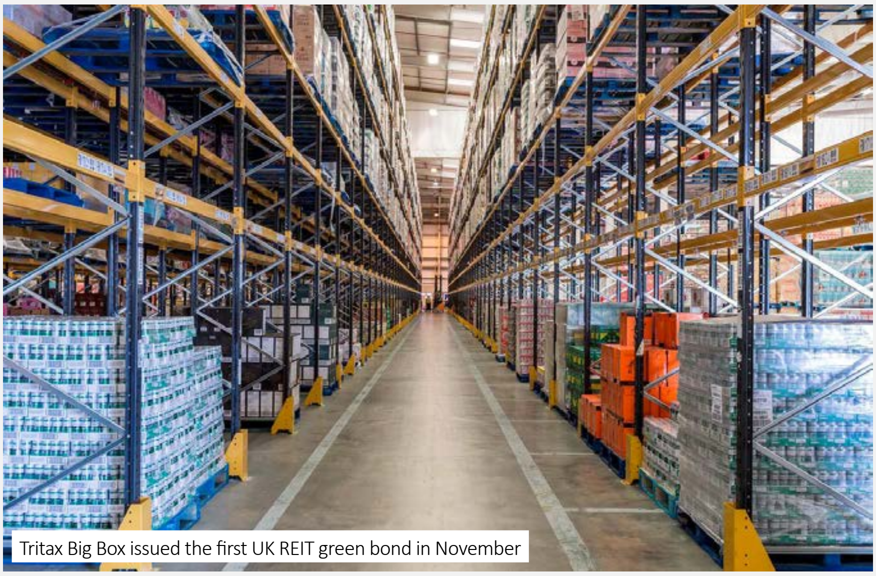
'With investor and shareholder interest in ESG and sustainable investing increasing, companies are accelerating their focus on ESG initiatives', says Shai Ganu, global head of executive compensation at Willis Towers Watson.

The decision by Germany's Deutsche Bank to link senior executive pay to sustainability targets from next year sends a powerful message in this regard.

However, half the firms surveyed admitted they struggled with setting targets and measuring their ESG performance. This is a clear area of opportunity for firms such as **MJ Hudson (MJH:AIM)** and **Inspired Energy (INSE:AIM)**.

ESG SPECIALIST ASSET MANAGERS OUTPERFORM





Tritax Big Box issued the first UK REIT green bond in November

THE RISE OF GREEN BONDS

According to credit research firm Moody's sustainable bond issuance increased 65% between April and June compared with the first quarter.

Social and sustainability bond issuance has been increasing rapidly this year and Moody's says this is because the pandemic has increased investors and companies' sensitivity to ESG issues.

The global market for green, sustainability and socially responsible bonds is worth more than $1.5 trillion.

Fund manager Tom Chinery who manages Aviva Investors' stewardship funds told Shares that engagement from credit managers with company executives had increased and was part of them fulfilling their stewardship responsibilities.

Chinery prefers to focus on sustainability bonds which are linked to specific projects and KPI's (key performance indicators) which outline projects designed to reduce environmental impact.

One example is logistics property company **Tritax Big Box (BBOX)** which issued the first UK real estate investment trust (REIT) green bond in November.

What attracted Chinery to the bond is that it is linked to specific projects aimed at constructing net zero carbon buildings with third-party observers tasked with monitoring the progress against pre-determined targets and making sure the company adheres to meeting them.

Another example is Italian utility company ENEL which has issued sustainability bonds which will fund investments designed to treble renewable capacity and reduce carbon emissions.

Interestingly Chinery benchmarks himself against traditional indices because he believes that ethical investing will outperform over the long term.

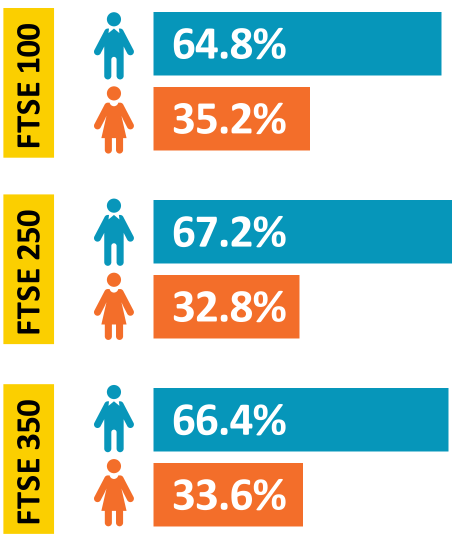
DIVERSITY MATTERS

If anything, ESG criteria are getting tougher, with large asset managers making increasing demands of companies. Investment bank Federated Hermes' 'stewardship' team has promised to get tough on firms with little to no ethnic diversity on their board of directors.

The firm wrote to FTSE 100 companies saying it would recommend clients vote against the chair of a board that 'does not have at least one director from an ethnic minority background and has no credible plan to rapidly achieve this', in line with the Parker review.

It also said it could recommend clients vote against the chairs of FTSE 350 companies which failed to fulfil the 33% level of female board representation suggested by the Hampton-Alexander review.

FTSE WOMEN'S REPRESENTATION ON BOARDS



Proportion of FTSE 350 boards which have not hit 33% female representation target: 41%

Source: Department for Business, Energy and Industrial Strategy (BEIS), September 2020

GREEN 'RE-BRANDS'

After its latest 'pulse' survey found 90% of respondents thought pension schemes should offer more ESG investments, US fund behemoth BlackRock has re-jigged the strategy of its flagship £6 billion 'LifePath' defined contribution product to ramp up exposure to ESG instruments to more than 50% 'as a core driver of long-term sustainable returns'.

In a similar vein, US fund house State Street has added an ESG screen to some £21bn of assets in UK-domiciled equity and debt index funds in response to growing demand from investors.

The screen is 'exclusionary' and will avoid companies in violation of the UN Global Compact principles, meaning holdings such as weapons manufacturers will be eliminated.

Maria Nazarova-Doyle, head of pension investments at partner firm Scottish Widows, commented: 'We believe divestment could be a powerful ESG risk mitigation tool for passive strategies. Investing responsibly will help to build a better future for everyone.'

ADDRESSING INEQUALITY

Finally, the social aspect of ESG investing has typically been the hardest to pin down, but the coronavirus pandemic has highlighted huge inequalities in global wealth and social injustice.

Analysts at ratings firm MSCI say many companies have responded to this conversation by addressing the race, gender and social divides in their workforces. However, 'similar to greenwashing, the idea of 'social washing' needs to be watched closely' they point out.

We can expect more companies to launch 'social bonds' and directly finance social impact programmes in 2021 as a way of staking a claim to being ESG champions.

By **Ian Conway**
Senior Reporter

WE WISH YOU A MERRY CHRISTMAS AND A HAPPY NEW YEAR

The next issue of *Shares* will be published on Thursday 14 January 2021

SHARESMAGAZINE.CO.UK

DIY investors are cautiously confident for 2021

Results of survey reveal concern about tax but confidence in Asia and tech

Few people will shed a tear to see the back of 2020, but as the year draws to a close, it seems that investors are looking forward to 2021 with cautious optimism.

AJ Bell has surveyed around two thousand DIY investors to assess their thoughts on the prospects for markets in the coming year. The results show investors are pretty positive about how 2021 is shaping up.

Two thirds of respondents said they were 'cautiously confident' about their investment portfolios for 2021, and a further 12% categorised themselves as 'very confident'. Many are planning to keep investing in the market, with 45% saying they would invest the same amount as this year, and 42% planning to invest more.

One of the main reasons given for this was low interest rates, with six in 10 of those planning to invest more citing poor cash returns as a driving force.

This isn't too surprising given that collectively we have saved around £150 billion into cash products this year, as a result of the enforced frugality of lockdown. Much of that money will be earning less than the rate of inflation, so we can expect some of it to gradually find its way into markets in search of a better return.

It wasn't just the measly rates on cash that are turning investors towards the market, half of those planning to invest more also said that they would do so because they think markets look attractively valued. Happily more than a quarter said they found investing fun, which is a positive they can take forward into next year.

TAX FEARS INCREASE

Concern that tax reliefs maybe withdrawn was also on investors' minds- a fifth flagged this issue as a reason to put more money to work in the market.

That's no doubt because higher rate tax relief on pension contributions potentially faces the axe, as the chancellor tries to balance the books. It's been on the guillotine many times before, and lived to tell the tale, though higher earners will probably play it safe by topping up their pensions ahead of the March budget, just in case.

Once you've decided to invest of course, the question is – where? In a reversal of recent trends, UK equities are top of the shopping list for DIY investors.

The FTSE 100 has been a notable laggard on the international stage in 2020, and investors are consequently gearing up to tilt their portfolios towards the UK. That could mean we see a return of flows into UK equity funds, after a number of years in the wilderness.

Indeed investors are pretty bullish about prospects for the FTSE 100 next year, with three quarters of them pencilling in a rise of at least 7% from current levels.

A significant minority are expecting better still, with a quarter anticipating the FTSE will rise over 15%, to 7,500, or beyond. The benchmark index doesn't include dividends, which

If you are planning to invest more next year, why is that?

	Answer Choice	Response Percent
1	Interest rates on cash are so low	59.2%
2	I've saved money due to lockdown	25.6%
3	I've had a pay rise / got a new job	9.5%
4	I'm finding investing fun	28.4%
5	To take advantage of tax reliefs before they are withdrawn	22.7%
6	I think stock markets offer value at their current level	50.8%
7	Other	12.6%

Source: AJ Bell Youinvest. Survey conducted online between 5 – 10 December. 2038 responses were received.

would typically add another 3% to 4% on top of these figures.

ASIA TIPPED TO STAR

Investors are fairly split on which international region will be the best performer in 2021, but Asia gets the most votes at 37% of those surveyed.

That's perhaps because China was first into the pandemic, and managed to contain the virus relatively well. Indeed the OECD forecasts China will actually post a modicum of economic growth over the course of 2020, though at a predicted 1.8%, that would still be significantly below the 6%-plus expected under normal circumstances.

In terms of sectors, just over half of investors expect technology stocks to continue on their winning run next year, with only one in five expecting a reversal of fortunes. A significant proportion of investors (28%) were undecided, perhaps they were lapsed sceptics.

TECH CONFOUNDING THE DOUBTERS

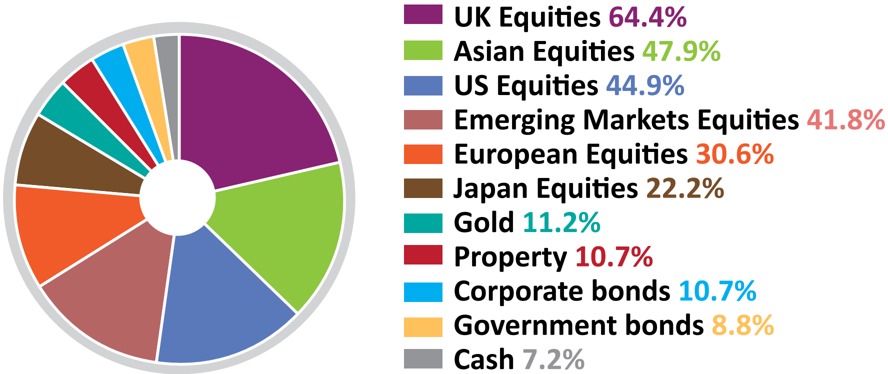
It's becoming harder and harder to cast doubt on the seemingly limitless rise of the tech stocks, though the fact the Tesla share price has risen eightfold in the course of twelve months sets alarm bells ringing.

Amazon's valuation of 90 times earnings now looks positively pedestrian compared to Tesla's PE ratio of over 600 times earnings. But it takes a brave soul to bet against Tesla after watching the plentiful traders betting against it get badly burnt by its continued strong performance.

Finally, turning to the pandemic, around two thirds of investors think that vaccines will prevent the need for lockdowns from March 2021 onwards. It's clear then that vaccine hopes underpin a lot of investors' confidence, and the outlook would be nowhere near as positive if we were still waiting for the outcome of trial results.

However, that still leaves around a third of investors who aren't convinced vaccines will ride to the rescue by Easter. Maybe after a testing year, they are hoping for the best, but expecting the worst, and that seems like a reasonable compromise.

WHICH OF THESE INVESTMENTS DO YOU PLAN TO INCREASE YOUR EXPOSURE TO IN 2021?



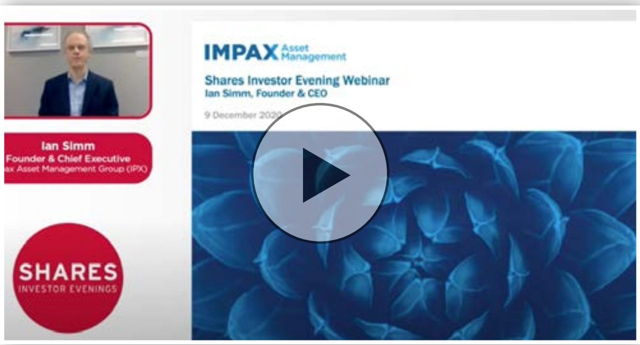
Source: AJ Bell Youinvest. Survey conducted online between 5 – 10 December. 2038 responses were received.

By **Laith Khalaf**
Financial Analyst

DISCLAIMER: AJ Bell is the owner and publisher of *Shares* magazine. The editor (Tom Sieber) owns shares in AJ Bell.

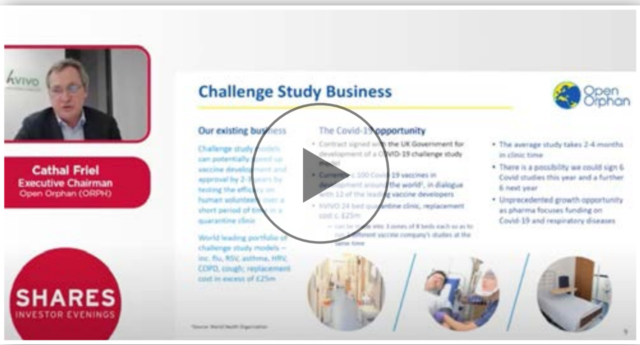
WATCH RECENT PRESENTATION WEBINARS

F&C Investment Trust – Beatrice Hollond, Chair



Impax Asset Management Group (IPX) – Ian Simm, Founder & Chief Executive

Impax Asset Management Group (IPX) offers a range of listed equity, fixed income, smart beta and real asset strategies. All strategies utilise the firm's specialist expertise in understanding investment opportunities arising from the transition to a more sustainable economy.



Open Orphan (ORPH) – Cathal Friel, Executive Chairman

Open Orphan (ORPH) goal is to become Europe's leading rare disease and orphan drug focused pharma services company. Its management team have extensive industry and financial expertise. Open Orphan is actively involved in the fight against COVID-19.

Visit the Shares website for the latest company presentations, market commentary, fund manager interviews and explore our extensive video archive.

CLICK TO PLAY EACH VIDEO

SHARES SPOTLIGHT

www.sharesmagazine.co.uk/videos

When can I claim my state pension?

Our expert helps address a question on retirement age

I am a bit confused about when I can claim my state pension in 2021. My birth date is 15 December 1955. I have read on the Government website that I have to wait an extra two months after my 66th birthday to receive my state pension – is this correct? And if so, could you explain the reason why please?
Susan

Tom Selby
AJ Bell
Senior Analyst says:

The UK state pension age has been rising since 2010, although the plans were actually first outlined way back in 1995.

This was done because while average life expectancy had increased significantly over a number of decades, the state pension age had remained unchanged since it was introduced in its modern structure just after the Second World War.

The first part of the reforms saw the state pension age for women increased from 60 to 65, bringing it into line with the state pension age for men. In order to cushion the impact, rather than going for an overnight increase to 65 the Government decided to phase it in between 2010 and 2018.

The state pension age for men and women was then increased to 66 between 2018 and 2020. As a result of this transitional approach, lots of people had a state pension age of somewhere between 60 and 66 during this period.

For example, women born between 6 April and 5 May 1953 had a state pension age of between 63 years, two months and one day, and 63 years and three months. Women born a year later – between 6 April and 5 May 1954 – had a state pension age of between 65 years, six months and one day, and 65 years and seven months.

You can see a full copy of the state pension age timetable for women born between April 1953 and April 1960 here.

The transition period to a state pension age of 66 for all was completed in October this year. This means anyone born between 5 October 1954 and 5 April 1960 will have a state pension age of 66 under current legislation.

That means (based on the date of birth provided) your state pension age should be 66 exactly, rather than 66 and two months.

There are, however, plans in place to increase the state pension age again to 67 between 2026 and 2028. During this period there be a group of people – this time born between 6 April 1960 and 5 March 1961 – who will have a state pension age

between 66 and 67.

The final legislated increase in the state pension age is due to happen between 2044 and 2046. However, the Government has previously set out its intention to accelerate this timetable, so the rise occurs between 2037 and 2039 instead.

If you're interested, you can check your state pension forecast at www.gov.uk/check-state-pension

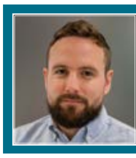
DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

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.

Getting you started: Ways to make money from investing

We round up the education series to date with links to all the articles



By **Tom Sieber**
Deputy Editor

Our first-time investor series is nearing its conclusion. Having covered the basics of how to start investing through funds and then moving on to individual stocks, we will round off the series in 2021 with an in-depth look at how to analyse a company's accounts.

Below is a reminder to readers of the wealth of topics already covered. Links are included should you want to go back to any articles you may have missed or want to share them with friends and family who plan to take the plunge with investing. All the articles are free to read.

CLICK ON EACH STORY TO READ

GETTING STARTED WITH INVESTING
What to think about and how to do it. The difference between saving in a cash account and investing, and the benefits of compounding.

THE DIFFERENCE IN RISK BETWEEN CASH, BONDS AND SHARES
Understanding how you might be able to hit certain investment goals.

OPENING AN INVESTMENT ACCOUNT AND MAKING YOUR FIRST TRANSACTION
Getting started with investing is a lot easier than you might think.

HOW MUCH DO CHARGES AFFECT YOUR RETURNS?
We run through some examples.

HOW MUCH SHOULD YOU INVEST?
We also look at the difference between lump sum and regular investing.

WHICH ACCOUNT SHOULD I USE: AN ISA, SIPP OR DEALING ACCOUNT?
We explain the difference between the three main accounts.

EVERYTHING YOU NEED TO KNOW ABOUT INVESTMENT FUNDS
Funds, investment trusts and ETFs are the best places to start if you're new to investing.

WHAT ARE STOCKS AND SHARES?
We discuss the case for buying them and some of the risks involved.

EVERYTHING YOU NEED TO KNOW ABOUT BONDS
We look at the world of fixed income and its pros and cons for investors.

HOW AND WHY YOU MIGHT INVEST IN PROPERTY
The pros and cons of the asset class and the different ways of getting exposure.

MOST COMMODITIES AND ALL CRYPTOCURRENCIES DO NOT SUIT NEW INVESTORS
Why they should only be considered once you've built a core portfolio of funds that invest in stocks and bonds, and you have money you can afford to lose.

EVERYTHING YOU NEED TO KNOW ABOUT PICKING ETFS
How ETFs work, the costs, choices and popular products among retail investors.

HOW TO CHOOSE THS RIGHT INVESTMENT FUND FOR YOU
They are like a box of chocolates, full of different things that can leave a nice taste.

THE BEGINNER'S GUIDE TO PICKING INVESTMENT TRUSTS
How to compare trusts and why they have advantages over investment funds.

UNDERSTANDING BONDS AND HOW TO INVEST IN THEM
Adding bonds to an investment portfolio increases diversification and provides more secure sources of income.

HOW TO BUILD YOUR FIRST INVESTMENT PORTFOLIO
Portfolios should be thought of as a team, where the whole is greater than the sum of the parts.

HOW TO MAINTAIN A PORTFOLIO
Keeping your investments well balanced is easier than it sounds if you follow some basic principles.

WHAT ARE SHARES AND HOW DO YOU MAKE MONEY FROM THEM?
Back to the basics of what share ownership really means.

WHY DO COMPANIES JOIN THE STOCK MARKET AND WHICH ONES CAN I INVEST IN?
We examine the 'menu' of shares from which an investor can choose.

CREATING A STRATEGY FOR A BEGINNER STOCK INVESTOR
Getting to grips with investment strategy basics.

GREAT PLACES TO FIND INVESTMENT IDEAS AND DO RESEARCH
Where you should look for information to support investment decisions.

DOES BROKER RESEARCH ADD VALUE AND HOW CAN I ACCESS IT?
We look at the various ways of accessing company reports and debate their value.

FINDING OUT WHAT'S MOVING UP AND DOWN IN THE MARKETS
Where to see movements in stocks, commodity prices, currencies and bonds.

HOW THE STOCK MARKET WORKS
How the stock market brings buyers and sellers together.

HOW DO I BUY A SHARE?
The mechanics of making a stock transaction.

WHAT MOVES A SHARE PRICE
Forecast-beating results, game-changing contract wins and takeovers are just some potential catalysts.

IMPORTANT SIGNALS: WHY SMART INVESTORS STUDY DIRECTOR DEALS
Actions by people at the top can tell you how they view a company's prospects.

HOW COMPANIES RAISE CASH AND WHAT IT MEANS FOR INVESTORS
The ways in which listed firms fund their growth.

EXPLAINING STOCK OPTIONS AND WARRANTS AND WHY THEY ARE IMPORTANT
These instruments can have an impact on ordinary shares.

6

SIX SIMPLE RULES FOR SUCCESSFUL INVESTING
How to rein in your emotions and avoid classic mistakes.

WHAT THE PRICE-TO-EARNINGS RATIO MEANS
The most commonly used way to value a company's shares.

USING THE PEG RATIO TO FIND GROWTH AT A REASONABLE PRICE
This metric helps you to identify the trajectory of earnings.

PRICE TO BOOK CAN BE A GOOD WAY TO VALUE BANKS AND HOUSEBUILDERS
The metric is also used by companies seeking M&A opportunities.

HOW TO CALCULATE ENTERPRISE VALUE AND WHEN TO USE IT
It is particularly important in takeover situations.

USING RETURN ON CAPITAL EMPLOYED TO IDENTIFY QUALITY STOCKS
How to calculate the metric and what it means.

CASH FLOW IS A FIGURE THAT CAN'T BE FUDGED
Why it's important to focus on cash.

HOW MUCH DEBT SHOULD A BUSINESS HAVE?
When comparing companies it's important to understand how they are financed.

THE IMPORTANCE OF COMPANY MANAGEMENT WHEN STOCK PICKING
Judging a company's management requires a different skill-set.

YOU SHOULD ALWAYS STUDY A COMPANY'S SHAREHOLDER BASE
It is worth finding out about the big investors in any of your holdings.

ENGAGING WITH COMPANIES VIA AGMS, INVESTOR EVENTS AND MORE
There are numerous events that enable shareholders to hold firms to account.

HOW TO NAVIGATE AN ANNUAL REPORT (AND WHY IT IS FULL OF GREAT INFORMATION)
Investors should consider these publications as essential reading.

KEY

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

KEY ANNOUNCEMENTS OVER THE NEXT 3 WEEKS

Full year results

8 January: Intermediate Capital. **13 January:** Shoe Zone. **14 January:** Blue Prism, Safestore, Titon.

Half year results

12 January: Accrol, Games Workshop, Gateley. **13 January:** Kromek. **14 January:** Ilika.

Trading statements

5 January: Morrisons, Next. **6 January:** Greggs. **8 January:** Barratt Developments. 11 January: SIG. **12 January:** Auto Trader, JD Sports, Nichols, Rathbones, THG, Vistry, XP Power. **13 January:** Just Eat Takeaway.com, PageGroup, Persimmon, Sainsbury's. **14 January:** Ashmore, Dunelm, Hays, Tesco, Whitbread, Wood Group.

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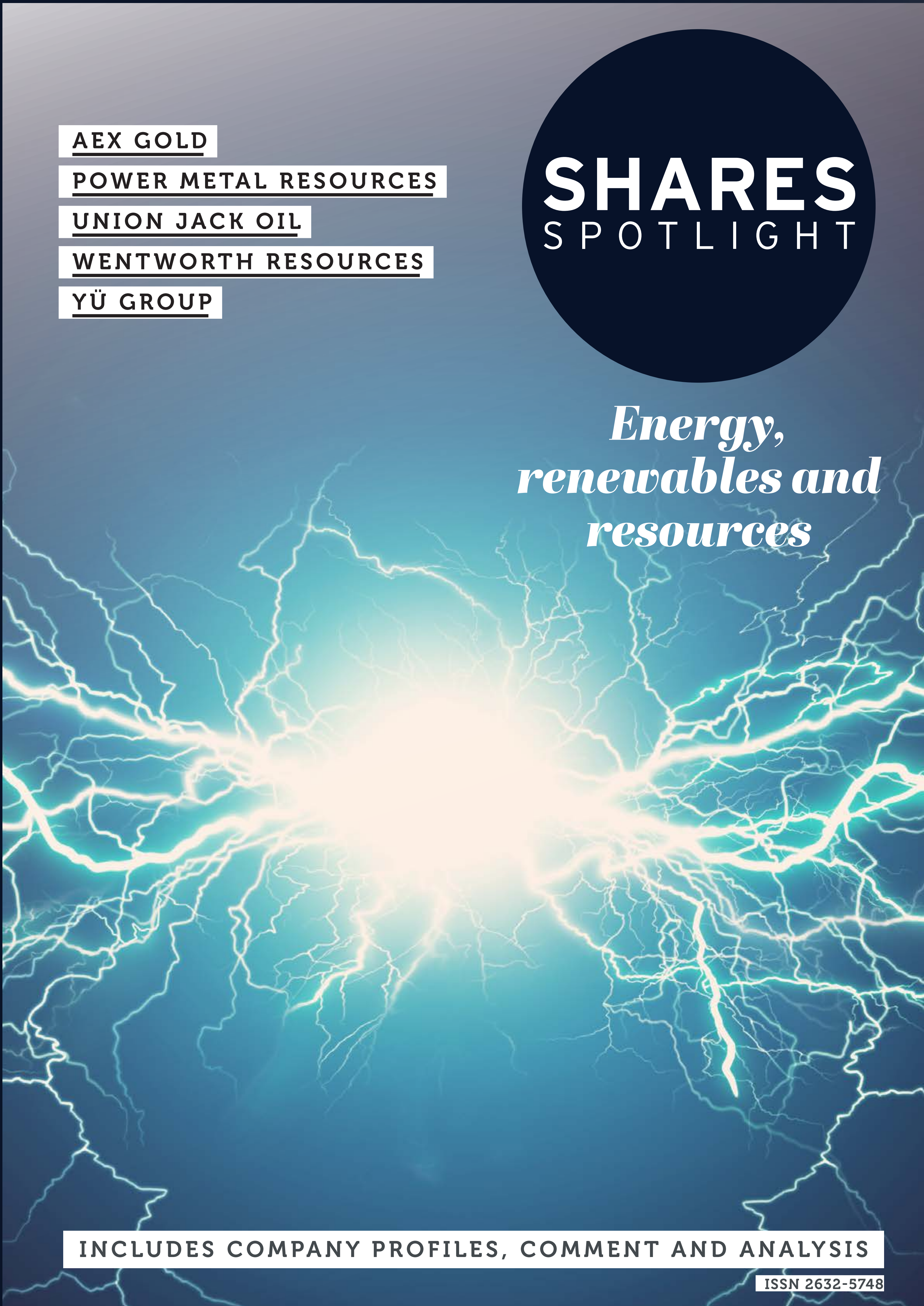
THIS WEEK: 17 PAGES OF BONUS CONTENT



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ISSN 2632-5748

DECEMBER 2020

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.

Historically this edition has been dedicated to the natural resources space. However the world is changing and in recognition of this fact we are broadening the scope of the publication to include the whole roster of businesses powering the global economy, whether that be in mining, oil and gas, the renewables space, infrastructure or energy provision.

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.

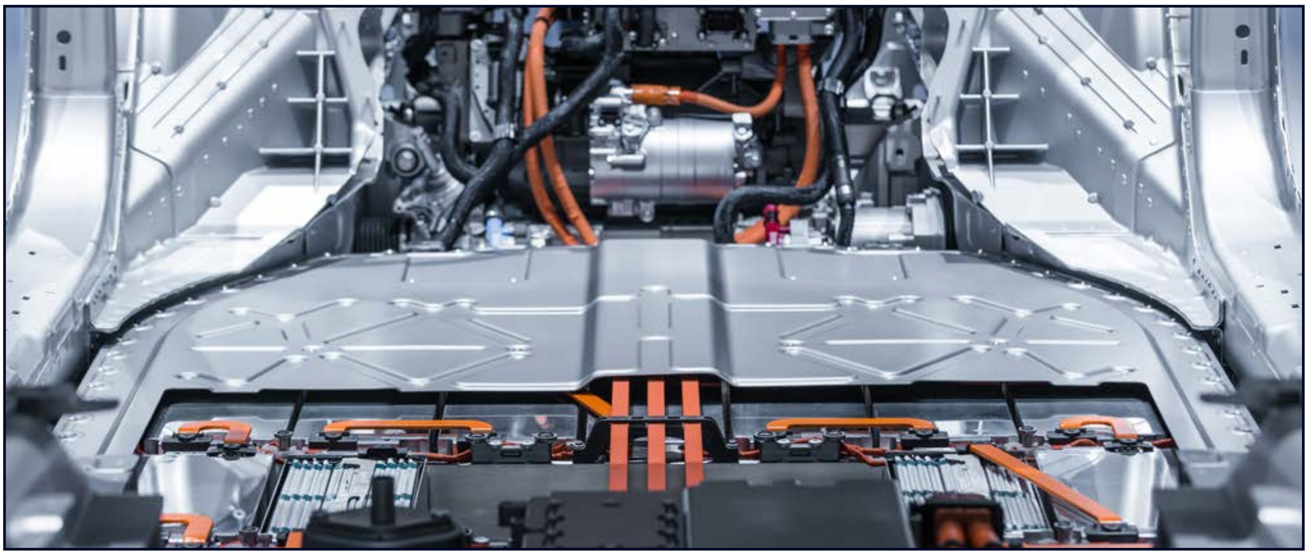
These profiles are paid-for promotions and are not independent comment. As such, they cannot be considered unbiased. Equally, you are getting the inside track from the people who should best know the company and its strategy.

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

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

Previous issues of Spotlight are available on our website.

The role of rare earth elements in the electric vehicle revolution



Around 73% of rare earth elements are used in mature industries, including glass, ceramics and metallurgy. The remaining 27% are used in the production of neomagnets, which are essential components in electric vehicles (EVs).

Using the force produced when two magnets with opposing poles repel each other, electric motors use permanent magnets and coils that have been magnetised by electricity to propel an axle. The force (torque) of the spinning axle is used to power the wheels of an electric car.

Induction-based electrical motors, which do not use permanent magnets, can also power EVs. However, they are an unpopular solution compared to their magnetic cousins. Tesla, one of the only holdouts in induction motors, has used a magnetic engine in its new Model 3.

WHICH RARE EARTH ELEMENTS ARE USED IN EVS?

A magnet's strength is commonly measured by its coercive force and flux density. Of the four main types of magnets, those made from the rare earth neodymium rate highest in coercivity, while retaining a similar flux density to their less powerful peers. This combination makes them perfect for high-powered EVs.

The drawback of simple neodymium magnets is a low operating temperature. This means they lose their magnetism at temperatures of around 60–80°C, like those found in an electric engine. To mitigate this issue, the rare earth element dysprosium, or more rarely terbium, can be added, increasing operating temperatures to above 160°C.

Dysprosium, along with the rare earth element praseodymium, can also increase a magnet's

> *The mid-term growth potential of EVs and neomagnets could drive demand for rare earth elements to levels never seen before. Obtaining secure and sustainable production outside China must be front and centre in the thoughts of end-users.*
>
> Dr Ryan D Long, Edison mining analyst

coercivity, when alloyed with neodymium. For this reason, neomagnets for EVs tend to be composed of around 24% neodymium, 7.5% dysprosium and 6% praseodymium.

HOW QUICKLY WILL THE MARKET FOR EV RARE EARTH ELEMENTS GROW?

The International Energy Agency (IEA) has forecast the EV fleet will grow from 3.1 million in 2017 to 125 million in 2030. Given a fully electric vehicle requires between 1kg to 2kg of neomagnets, with 0.42kg for hybrid variants, the market is set to expand massively over the next decade. Dysprosium demand for EVs in 2017 was around 180–360 tons (t).

If the IEA's forecast holds true, demand for dysprosium in EVs would reach 6,000–13,000t by 2030, while neodymium would go from 582–1,162t in 2017, to 20,000–40,000t by 2030. Praseodymium would grow from 150–300t in 2017 to 5,000–10,000t by 2030.

That said, the amount of rare earth elements required per EV is unlikely to remain stable, and will probably drop as the technology improves. Even so, a maturing EV industry represents an incredible growth in rare earth demand. Given China's diminishing exports of rare earths, this demand may be difficult to meet over the medium term.

> ***"China has dominated the supply chain for rare earths over the last 25 years"***

WHY DOES CHINA'S DIMINISHING STAKE IN RARE EARTH EXPORT THREATEN THE MARKET?

China has dominated the supply chain for rare earths over the last 25 years, growing its market share from 54% in 1994 to highs of 97% in 2006.

The virtual monopoly on supply led to price volatility in 2010, when China put export quotas on rare earths, driving the price upwards. The 2010 quotas led to a decline in global total rare earth oxide production of 30% in a single year.

The quotas ceased in 2016, after the WTO ruled them to be unjustified, but China plans to continue its policy of reducing rare earth exports. This is part of its push towards environmental sustainability, high-tech markets and a consumer driven economy.

WHAT ARE EV RARE EARTH PRICES?

The 2010 quotas artificially increased prices, with neodymium reaching peaks of $270/kg, dysprosium $1,600/kg and praseodymium $225/kg.

Following the 2010 production shortage, prices declined between 2011 and 2015 to $48/kg for neodymium, $278/kg for dysprosium and $75/kg for praseodymium.

The growth of EVs, alongside the decline in Chinese production, will likely see prices increase over the medium term, making proactive investment into new projects more likely.

This article is based on a report produced by Edison Investment Research other Edison Explains and thematic research is available [here]

AEX Gold shines in Greenland

www.aexgold.com

Dual-listed **AEX Gold (AEXG:AIM)** is a mining company with assets in southern Greenland and a focus on the identification, acquisition, exploration and development of high-grade gold properties.

Founded in 2017, and following its £42.5 million raise as part of its dual-listing in July 2020, the company has established the largest gold licence portfolio in Greenland through its ownership of several licences covering 3,870 square kilometres, with a focus on restarting operations at the past producing Nalunaq mine.

The company's board and management team has a wealth of sector, geographical and capital markets experience and is committed to leading responsible mining in Greenland.

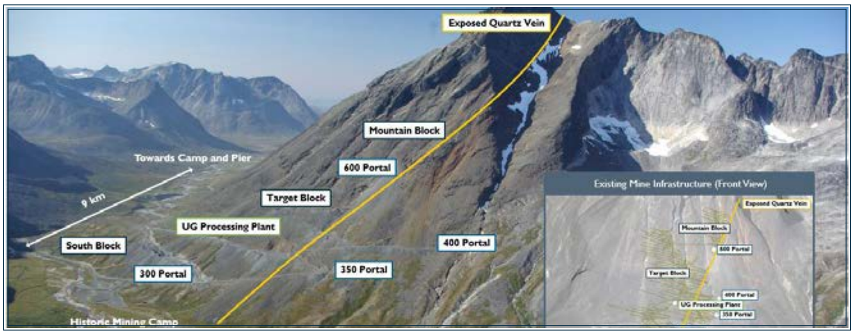
Using its first-mover advantage, AEX has set out a clear roadmap to become a high-margin gold producer and create significant value for its stakeholders through the redevelopment of the Nalunaq mine, with first gold expected in the next 12 months and further exploration on its vast land package with over fifty known gold discoveries.

WHY GREENLAND?

Greenland is increasingly drawing the attention of major mining companies such as **Anglo American (AAL)** and **Rio Tinto (RIO)** as a successful and rapidly growing mining region.

One key differentiator is that Greenland is a safe and stable OECD jurisdiction, whilst its local and national communities actively encourage mining as it seeks to diversify its economy, demonstrated by its favourable mining laws and competitive fiscal environment. AEX is targeting large part of its employees to be from the local population, and they will be trained and skilled by the company.

AEX has licensed the dominant land package covering the Nanortalik Gold Belt, a region with numerous geological similarities to other notable gold belts in Canada and Sweden. Greenland's geology is favourable to exploration and exploitation with outcrops coming to surface with little or no vegetation due to the recent withdrawal of the glaciers. The southern tip of Greenland is ice-free and can be operated at all year round.



NALUNAQ – A CLEAR PATH TO NEAR-TERM PRODUCTION

AEX's 100% owned flagship mine, the previously producing Nalunaq gold project, is located on the

Nanortalik Gold Belt. Since opening in 2004, it has produced over 350,000 ounces of gold (Au Grade of 15 grammes per tonne (g/t) and at its peak produced nearly 70,000 ounces per year. However, due to the wider financial difficulties of its past operators, the mine was closed in 2013.

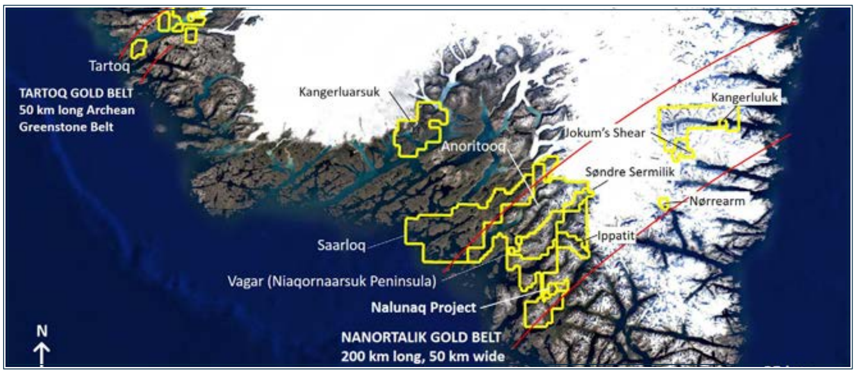
AEX identified the mines potential, including the significant pre-existing infrastructure and acquired the project in 2015. Since then, the company has continued to explore the licence and discovered that the gold mineralisation structure extends much further than originally believed.

Demonstrated in the latest Inferred Resource update, Nalunaq hosts Inferred Resources of 251,000 ounces in 422,770 tonnes at a grade of 18.5 g/t Au on the main vein. However, exploration work indicates the main vein extends in all directions and to surface and could contain up to two million ounces.

AEX recently announced the discovery of a footwall vein at surface that has been intercepted by past drill holes with gold mineralisation. The company believes that future exploration work could reveal a similar resource to the main vein accessible from the existing infrastructure.

AEX will employ the underground mining methods of the previous operators, using best in class advisors and technology to further improve recovery, efficiency, reduce dilution, and minimize processing costs.

In addition to the infrastructure already established, including a port, access roads, an exploration camp and over 20 kilometres of existing underground infrastructure, AEX has made significant progress during 2020 in awarding key contracts around long lead items such as camp facilities and front-end engineering.



The Nalunaq asset has an exploitation licence, creating a clear path to production. In time, the company intends to support the mine using local wind and hydro potential to further reduce the project's limited environmental footprint. Nalunaq is expected to generate strong margins with an expected AISC (all-in sustaining cost) of $500-600 per ounce, with the mid-term strategy being to use early cash-flow from the initial mine to fund further exploration at Nalunaq and across other licences.

UNRIVALLED EXPLORATION PORTFOLIO

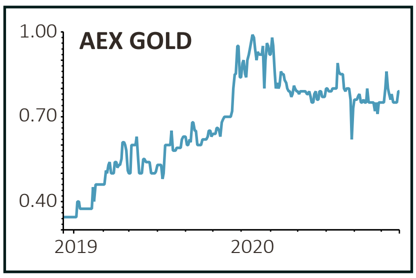
AEX holds a wide portfolio of exploration assets along the largely untouched Nanortalik Gold Belt. The company intends to use the blueprint from Nalunaq and apply it across the nearby projects, with the aim of building AEX into a multi-mine company within the next five years. One highly prospective project in the later stage of exploration is Vagar, located near to Nalunaq, meaning existing infrastructure can be utilised, and has similar high-grade geological similarities.

Exploration activities planned here include approximately 5,000 metres of surface drilling during 2021 to increase the company's understanding of the vein structures and mineralisation. Further afield is the 100%-owned Tartoq project which has historically yielded a high level of gold mineralisation.

To view AEX's many identified targets see the company's website

SUMMARY

AEX has an unrivalled footprint and first mover advantage in southern Greenland, one of the world's most exciting new mining regions. Due to the extremely high grade of gold, the ability to mine for ounces rather than tonnes will make it one of the highest margin mines in the world. The company has a clear path to production and, in the longer term, to succeed in building a full cycle gold mining company and create significant value for its stakeholders.



Power Metal Resources – full thrust ahead with exploration

www.powermetalresources.com

Investors in the junior resource sector have experienced some wild swings in 2020, with depressed market conditions lurching into the Covid-19 lows of late March and then a move into much higher valuations by late 2020.

Shares, as with boats, all rise as the tide comes in, something we have seen in abundance in 2020 with many junior resource companies now trading at multi-year highs and even the major mining companies trading at or near three-year highs.

Much the same applies to the commodities themselves with considerable pricing strength in the second half of 2020 for precious and base metals. Nickel is approaching its five-year high and copper has recently achieved a new five-year high breaking through $3.50 per pound.

The sentiment shift to net positive inspires greater investor interest and that is feeding through to higher trading levels in the junior resource companies. Increased trading liquidity opens up the potential of smaller companies through easier access to finance and an ability to push ahead with confidence by investing money in more proactive exploration.

TAKING A CONTRARIAN VIEW

Power Metal Resources (POW:AIM) is one company that has benefitted from the cyclical nature of the commodities and junior resource sector.

In the challenging conditions Power Metal was acquisitive and building its portfolio from an initial three west and central African projects in early 2019 to nine projects in late 2020, including precious metal interests in North America & Australia and base metal interests in Africa.

The company has adopted a contrarian stance, acquiring projects when sector sentiment was muted and enabling the portfolio of holdings in late 2020 to look more like a mid-tier than that of a small junior resource company.

FINANCING THE VISION

With diversity comes financial responsibility and Power Metal has been keen to articulate its underlying financial strength pointing to cash and listed investments at circa £1.73 million in mid-November 2020.

Cash outflows due to proactive ongoing exploration are being offset with incoming cash from warrant exercises meaning the underlying working capital position of Power Metal is maintained in a healthy state and enabling the ongoing pursuit of exploration programmes.

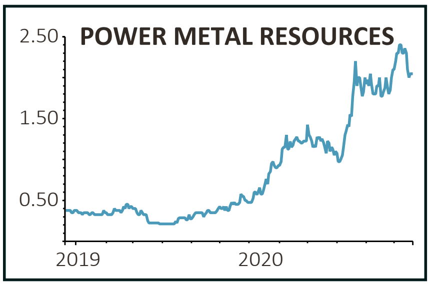
Project	Metal	Interest	Status & Next Steps
AUSTRALIA **Victoria Goldfields Joint Venture**	Gold	49.9%	13 licence applications (2,336 km^2). Await grant of licences then proactive gold exploration. Progress potential listing on North American stock exchange.
BOTSWANA **Ditau Camp Project**	Rare Earths	50%	2 licences (1,386km^2). Orientation studies to assist characterisation & exploration vectoring of carbonatite ring-structures potentially hosting rare earths.
BOTSWANA **Kalahari Copper Belt Project**	Copper Silver	50%	2 licences (1,294km^2) targeting copper-silver discoveries. Soil sampling results awaited then ground magnetic surveying, leading into drill target development.
BOTSWANA **Molopo Farms Complex Project**	Nickel PGMs	Up to 50.96%	3 licences (1,780km^2) with multiple targets identified from electromagnetic survey and ground geophysics. 2,500 metre, four-hole drill programme underway.
CAMEROON **Cobalt Blue Project**	Cobalt Nickel	100%	4 licences adjacent/near to the Nkamouna/Nada cobalt/nickel deposit. Announce findings from review of exploration strategies and corporate options.
CANADA **Silver Peak Project**	Silver	Up to 30%	Mineral claims over historic Eureka-Victoria Silver Mine & high grade, intrusion related, polymetallic veins. Await assay results from drill & sampling programme.
DRC **Kisinka Copper Project**	Copper Cobalt	70%	6.8km copper/cobalt anomaly. Next step geophysics & potential drilling of key targets. Application submitted to secure a 25-year production licence over project.
TANZANIA **Haneti Nickel Project**	Nickel PGMs	35%	Large polymetallic land package of c5,000 km^2 including 80km long ultramafic complex with 2,000m Rotary Air Blast drill programme now underway.
USA **Alamo Gold Project**	Gold	Up to 75%	Mining claims prospective for gold following the discovery of native gold nuggets near surface. Exploration including mini-bulk sampling in Dec 2020.

POWERING AHEAD

Power Metal now has exploration work occurring across all nine projects, with active ground exploration underway at seven projects.

Work ranges across large-scale target drill programmes, ground geophysics and sampling and taken together means that the company will be highly active in the coming weeks and months delivering a range of news to the market. Importantly this news holds the potential for the discovery of large-scale metal deposits across multiple projects as Power Metal is now at the business end of certain exploration campaigns with Company transformational news a possible outcome.

As readers will see from the table covering the nine projects, there is news potential across the business, and with the board and their connected parties holding circa 14% of issued share capital (CEO 7%), they with other shareholders will be looking for that first large-scale metal discovery.



Union Jack flies the flag for UK onshore oil and gas

www.unionjackoil.com

The directors of **Union Jack Oil (UJO: AIM)**, a focused onshore hydrocarbon, production, development and exploration company, see the United Kingdom onshore as being an attractive target for investment in oil and gas investment ventures, considering the relatively low-cost operating environment and a fully transparent licencing regime.

The company has adopted a business model, typically acquiring interests in late stage projects, mitigating risk and offering exposure to wells with the scope to dramatically change the dynamics with the drill bit, West Newton, Wressle and Biscathorpe, all being prime examples of our recent success in our three key projects.

Union Jack holds what the board considers to be high-value material project interests with significant upside potential in our axis areas of the East Midlands, Humber Basin and East Yorkshire. These interests are believed to be able to assist in delivering material growth in the medium term and build a sustainable mid-tier UK onshore focused conventional hydrocarbon producer.

ASSET OVERVIEW

The company has acquired key interests in several licences all being located within an established hydrocarbon producing province.

- **PEDL183** West Newton A-1 and A-2 hydrocarbon discoveries and B1Z success 16.665% interest
- **PEDL253** Biscathorpe 30% interest
- **PEDL180 and PEDL182** Wressle development and Broughton North 40% interest
- **PEDL005(R)** Keddington oilfield 55% interest
- **EXL294** Fiskerton Airfield oilfield 20% interest
- **PEDL241** North Kelsey 50% interest

PEDL183 WEST NEWTON CONTINUED DRILLING SUCCESS

Union Jack hold a 16.665% interest PEDL183 located in East Yorkshire and within the Western sector of the Southern Zechstein Basin, containing the West Newton A-1 and A-2 discoveries and the recently announced successful B1Z appraisal well.

Initial petrophysical evaluation of the B1Z well identified a gross hydrocarbon column 62 metres. The well also exhibits encouraging porosities of approximately 14% on logs.

There remains an extensive number of technical studies to be carried out to complete analysis of the B1Z data, including correlation of the A1, A2 and B1Z well results and updated resource volumetric estimates, all of which will have a bearing on the planning and the testing programme which is the next important milestone in determining the development of West Newton.

The result represents provides a further material de-risking and is a very positive major step forward.

The joint venture partners believe that the West Newton project represents a potentially significant hydrocarbon development enterprise onshore UK. The preliminary results to date from the programme vindicate Union Jack`s faith and financial commitment to the West Newton project.

In June 2020, GaffneyCline, an international petroleum consultancy conducted a study on the Carbon Intensity rating at West Newton where a rating of AA was given in respect of its potential upstream crude oil production.

PEDL253 BISCATHORPE

PEDL253 is within the proven hydrocarbon fairway of the South Humber Basin and is on-trend with the Saltfleetby gasfield, Keddington oilfield and the Louth and North Somercotes Prospects.

In February 2019, the Biscathorpe-2 well was drilled and logging operations were conducted. Preliminary analysis indicated that the primary objective, the Basal Westphalian Sandstone, was not encountered as the well was drilled high to prognosis and did not thicken as expected in the pre-drill model.

Union Jack's independent technical team was greatly encouraged by the significant elevated gas readings and shows from logging supported by calculated oil saturations in the Dinantian Carbonate over an interval in excess of 150 metres, which included a suite of gas indications C1 to C5 and nC5, which is indicative of an effective petroleum system in close proximity to the Biscathorpe-2 well.

As a result of these compelling indications of hydrocarbons, the joint venture commissioned independent consultants APT to perform a detailed geo-chemical analysis of drill cutting samples taken from 20 intervals in the Biscathorpe-2 well.

The key result from the report was the likely presence of a 57 metre live oil column with API Gravity of 33 degrees to 34 degrees in the top of the Dinantian interval. Additionally, data evaluated at the base of the analysed section were suggestive of possible extra hydrocarbon

pay at the base of the Dinantian interval.

These analysis has upgraded the Biscathorpe-2 well result, indicating proximity to an effective petroleum system, and validates Union Jack's and its joint venture partners' belief in the additional potential that exists within the PEDL253 licence area.

Following the drilling of the Biscathorpe-2 well and subsequent technical analysis, Union Jack management's view is that this prospect remains one of the UK's largest onshore un-appraised prospects.

The joint venture has conducted detailed seismic re-processing and further technical studies with great success and a number of new drill targets have been located from where a side-track well will be drilled from the Biscathorpe-2 well during 2021.

PEDL180/PEDL182 WRESSLE DEVELOPMENT

Located in Lincolnshire on the Western margin of the Humber Basin, PEDL180 and PEDL182 contain the substantial Wressle conventional oil discovery

with proven reserves and significant upside from contingent resources, from which commercial oil is expected to flow at a constrained rate of 500 barrels of oil per day.

In January 2020, the joint venture partners received the welcome news that the Planning Inspectorate had granted development status to Wressle. Development of the production site is at an advanced stage and first oil is expected during January 2021

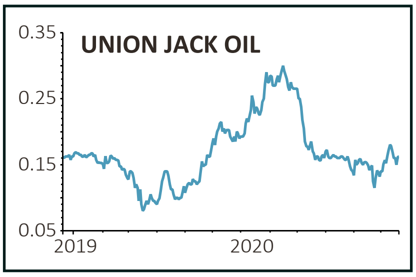
The Wressle-1 well discovered hydrocarbons in 2014. During testing, a total of 710 barrels of oil equivalent per day were recovered from three separate reservoirs, the Ashover Grit, the Wingfield Flags and the Penistone flags. A Competent Persons Report has provided independent estimates of reserves and contingent and prospective oil and gas resources for the Wressle discovery of 2.15 million stock tank barrels classified as discovered (2P+2C).

NEWS FLOW

Union Jack has a balanced portfolio of production, development and drill-ready interests.

The company`s strategy of focusing on conventional, relatively low-risk and low-cost projects, avoiding early stage and frontier ventures is showing signs of reaching fruition and allows investors to become involved at the end of the exploration phase and the beginning of the development cycle.

During 2021, Union Jack will be active over five material projects, Wressle, West Newton, Biscathorpe, Keddington and North Kelsey, from where a steady stream of news flow is expected throughout the year.



Wentworth is a leading Tanzanian natural gas company


Katherine Roe, Wentworth CEO

www.wentplc.com

Wentworth Resources (WEN:AIM) is a leading domestic natural gas producer in Tanzania with a core producing asset at Mnazi Bay in the onshore Rovuma Basin in southern Tanzania. The asset has been materially producing for the last five years into a new natural gas infrastructure pipeline, which runs from the Mnazi Bay field all the way up to Dar Es Salaam, Tanzania's commercial capital and largest city.

ROBUST FINANCIALS

Wentworth's commercial framework is robust and resilient to global macroeconomic shocks. With a history of robust financial and operational performance, the investment case is further safeguarded by its long-term fixed gas price contract with the Government, meaning that the company has no exposure to commodity price volatility.

Wentworth is also a financially disciplined company, and has focused on paying down debt since starting material production into the new National Natural Gas Infrastructure pipeline in 2015.

The company is now debt-free, with $17 million in cash reserves – and there is no significant capital investment required at Mnazi Bay, with only $1.3 million spent in 2018. This fiscal discipline has helped the company return $4.2 million to shareholders in the last 12 months, which represents an average annualised yield of approximately 9%. This is further bolstered by Wentworth's position as one of only three AIM-listed E&P companies paying a dividend.

STABLE PRODUCTION

Wentworth's current production sits very comfortably in its average production guidance of 60-70 million cubic feet per day (MMscf/d), with minimal impact from the Covid-19 pandemic. Existing infrastructure already permits production to increase up to 100 MMscf/d without any additional investment, highlighting that the business will be able to respond to growing demand without additional capital expenditure.

With revenue underpinned by long-term fixed price

contracts, no debt, a limited 2020 work programme and a sustainable dividend policy, Wentworth represents a resilient and sustainable investment opportunity for the near and longer-term.

TANZANIAN FOCUS

Wentworth is first and foremost a Tanzanian business, which is reflected in how the company operates: it prioritises local recruitment and supply chain opportunities and is focused on helping improve energy access to local communities throughout the country. This focus is key for the company due to the rapid growth that Tanzania is undergoing, providing a strong basis for Wentworth's future success.

Tanzania has a fast-growing population, which combined with the Government's ambitious plan for universal energy access by 2030, as well as a nearer term goal of providing 5,000 mega-watts (MWs) by 2025, provides an exciting future demand case for Wentworth's natural gas.

As one of only two fields producing natural gas in Tanzania, Wentworth has a vital role to play in driving up energy access by ensuring a reliable, affordable and growing supply of natural gas into the local market.

This is at the heart of what Wentworth does, and in doing so, the company is able to help the government achieve its strategic and economic growth ambitions.

SUSTAINABLE GROWTH

Wentworth's ambition is to deliver long-term sustainable growth, real positive impact, and value for all stakeholders. Natural gas from Mnazi Bay is already enabling Tanzania to play a valuable role as part of the global energy transition, displacing dirty fuels and in doing so securing a cleaner future for the country and its people.

With natural gas providing a reliable and affordable baseload power supply, more renewable energy – mainly hydroelectric power – can be gradually added to Tanzania's energy mix without compromising security of supply and levels of access.

This energy access is transformative to communities, and the presence of gas-fired power in Tanzania has supercharged this process, with over a million new customers added to the Tanzanian electricity grid in the last five years.

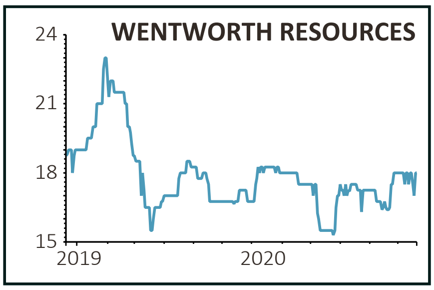
The number of rural communities with access to electricity has also more than quadrupled in the same period. These connections not only power industry, but schools, medical facilities, and training centres; leading to huge, tangible benefits for the country.

DELIVERING IMPACT

The direct and indirect economic impact of Wentworth's activities in Tanzania is also significant – with over $223 million paid to the Government of Tanzania in royalties and taxes since 2004; millions more have been saved by facilitating the replacement of costly, high-polluting fuels, and the knock-on effects of investing in local supply chains and local staff all contributing positively.

Wentworth also runs a series of social programmes through the Wentworth Africa Foundation, with a focus on lifting education levels in the country. When the Foundation started working in the Mtwara region, there was only a 3-6% school attendance rate for girls.

Six months after the launch of its social programme, the school attendance rate for girls had increased to 71% – reflecting a commitment to local communities and a strong partnership model that Wentworth prides itself on.



GROUP PLC

Yü Group energised to disrupt utilities market

www.yugroupplc.com

Yü Group (YU.:AIM) was created with a clear purpose: to provide a high-quality, one-stop shop utilities service for UK SMEs who have long been overlooked by the major 'Big Six' utility suppliers.

The Nottingham-based company, which trades under the name Yü Energy, was founded in 2013 by CEO Bobby Kalar following his own experience of poor service from traditional utilities providers when running a care homes business. It became clear to Bobby that smaller businesses tended to be treated as an afterthought by big suppliers; overlooking their needs and failing to approach their service requirements with proper care.

DISRUPTION PLAN

Yü Group's aim is to disrupt the energy and utility supply market for small and medium-sized businesses across the UK – a £35 billion addressable market offering significant scope for growth. It offers a fresh, innovative approach, delivered through a combination of user-friendly digital solutions and personalised, high quality customer service.


Bobby Kalar, CEO


Paul Rawson, Chief Financial Officer

Yü Group's multi-utility offering spans gas, electricity, water and other solutions for business customers across the UK including playing a key role in supporting them in their transition to lower carbon technologies. From installation of EV charge points to supporting the shift to a zero carbon society to utilising energy data insight to help customers reduce energy consumption, Yü Group caters to business customers' every need through its 'one-stop shop' model.

This is supported by a variety of routes to market in order to drive scale and provide exceptional service to customers, ranging from direct sales to work with Third Party Intermediaries (TPIs) and partners, alongside the group's online channel.

These services are underpinned by a relentless focus on exceptional customer service. The 'three-ring rule' ensures

customer calls are picked up within nine seconds and queries are dealt with quickly, efficiently and to the highest standard. This is evidenced by an excellent 4.5-star Trust Pilot rating and consistently high customer retention rate.

FIXED PRICING OFFERS SIMPLICITY

Fixed pricing offers simplicity and certainty for businesses, including when customers use a multi-fuel plan which combines two or more utility supplies across energy and water.

Finally, innovation and an evolving product is at the heart of the company's offering. This includes helping customers get smarter with their energy management through smart (SMETS2) meters, which will help reduce costs to bill, provide energy trading value opportunities and unlock significant potential for the group going forward. This sits alongside developing existing systems, including the use of RPA (Robotic Process Automation) to drastically improve business efficiency and maintain customer service levels to the highest standard.

All of this is seen through the *Yütility simplicity* strategy delivered by a highly experienced management team. Through a multi-utility offering, exceptional service and continued product innovation, Yü Group has grown rapidly since founding and now supplies energy to thousands of sites across the UK, using robust, scalable systems and automated processes to ensure ease of use for customers.

STRATEGY FOR SUSTAINABLE, LONG-TERM GROWTH

Financially, Yü Group has undergone a strategic rebalancing of the company over the past 18 months. In the first half of 2020, the coronavirus pandemic inevitably had an impact on the company's performance, but the demand and scaling capacity was clear to see.

Consumption in August alone was at 90% of pre-Covid levels while cash collection was broadly equal or better than billed monthly, resulting in an increase in net cash to £17.9 million.

The company continues to grow its strong order book, with new business growing at a greater rate than H1 in 2019 and the run rate meter point growth expected to accelerate to c.17,000 by FY20 (followed by positive momentum into FY2021 and beyond).

This robust organic performance has been supported by a number of strategic acquisitions, the seamless integration of which is testament to the group's efficient systems.

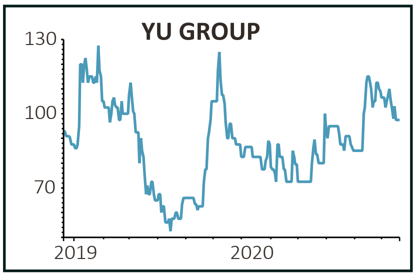
The purchase of Bristol Energy's B2B book, completed in August, and within a matter of days was integrated into the business and already cash generative.

RECENT ACQUISITION

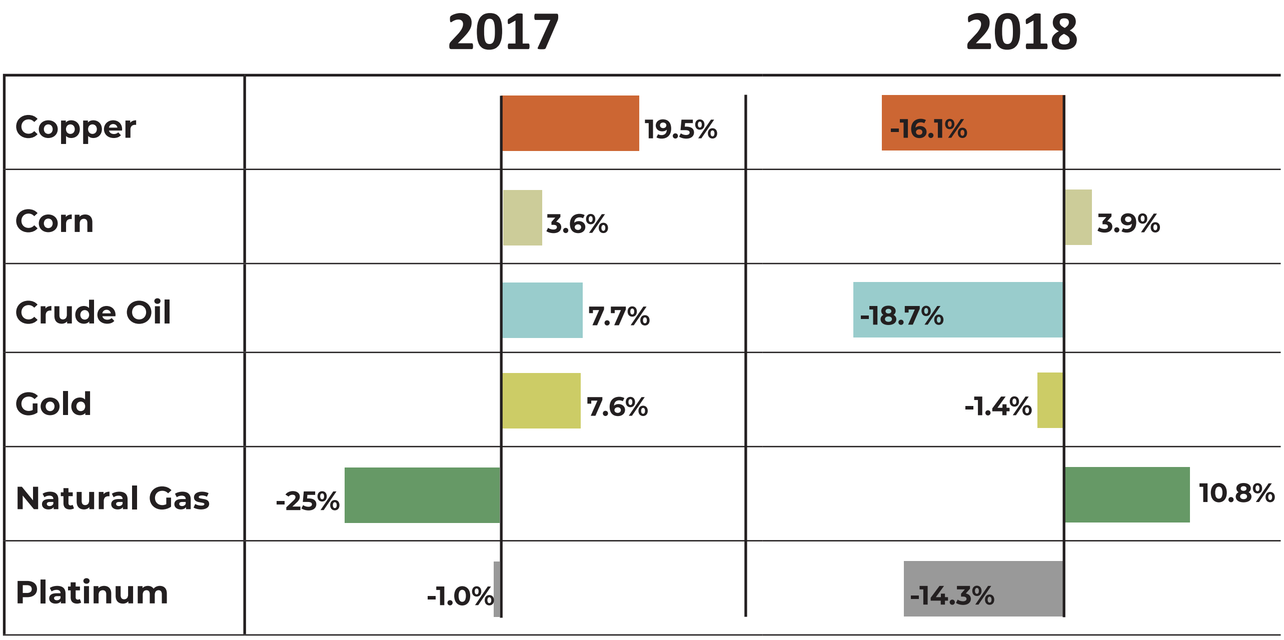
More recently, the acquisition of a B2B customer book from a Midlands-based energy group will add a further c.400 meter points to the group's 14,000 portfolio and is expected to be earnings enhancing from mid-November 2020.

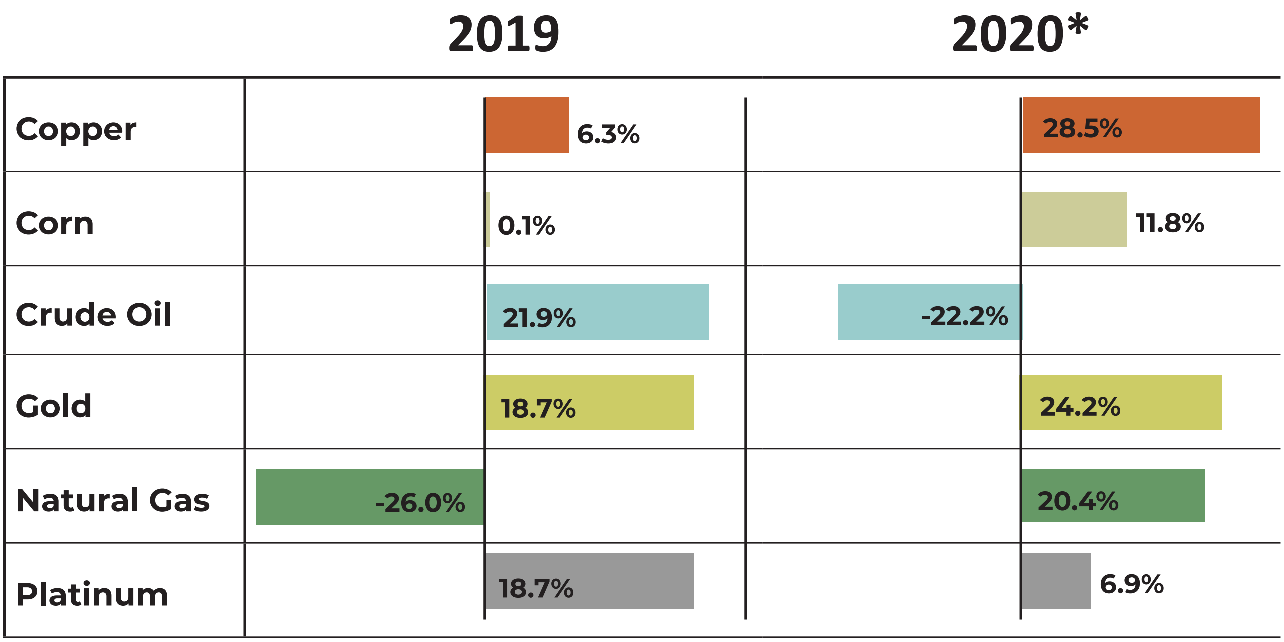
As the market consolidates, Yü Group is constantly looking for further acquisitive opportunities in the market that would allow the business to scale and add significant shareholder value.

Yü Group is an agile business, with scalable technology and expertise to rapidly test and roll out new routes to market. It has the strength of balance sheet and product innovation to drive scale and differentiation, ensuring that it is ideally placed to capitalise on the many opportunities in the evolving business utility market.



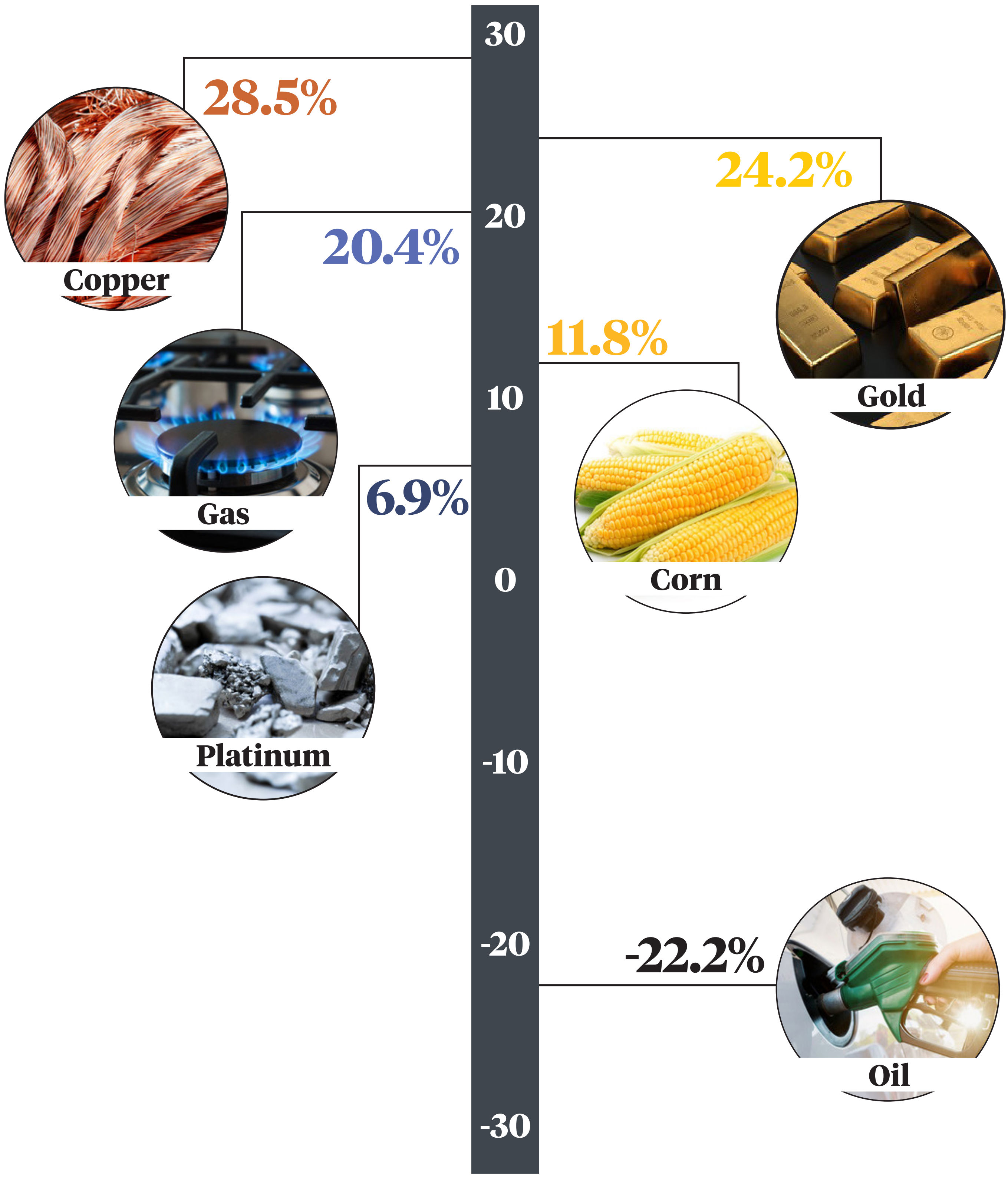
Databank – Commodity price performance 2017-2020





Source: Refinitiv. *Data to 18 December 2020.

Databank – Gain / loss so far in 2020



Source: Refinitiv. *Data to 18 December 2020.