STOCKS | FUNDS | INVESTMENT TRUSTS | PENSIONS AND SAVINGS

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SHARES

10 MUST-HAVE STOCKS AND FUNDS FOR YOUR ISA

PLUS

SCOTTISH MORTGAGE FACES FUTURE WITHOUT TALISMAN JAMES ANDERSON

HOW TO PICK A **RENEWABLE ENERGY FUND**

HIGH STREET RETAILERS BEST PLACED TO THRIVE POST-LOCKDOWN

Argument strengthens in favour of UK stocks

Bank of England says the UK's economic recovery is ahead of schedule and we think the UK stock market still offers good value

Comments from the Bank of England on 18 March that there is a better outlook for UK economic growth than previously anticipated will strengthen the argument that UK stocks are ripe for picking, particularly companies with a domestic focus.

Also supporting this argument is the fact the UK is more advanced with its vaccine rollout compared to many other countries, which will help to improve consumer and business confidence and likely lead to greater spending as the year progresses.

About half of the stocks in the FTSE 250 earn their money in the UK. So far this year the index is up 4.5%, ahead of the FTSE 100's 2.3% and slightly behind the 6.3% from the US S&P 500 index.

Among the best performing FTSE 250 stocks with a strong UK bias is **Virgin Money (VMUK)** which has advanced 46.2%, and **Greencore (GNC)** which is up 40%.

Both of those stocks fall under the value category which has been in vogue since November 2020 when the first Covid vaccines were confirmed. Value stocks is a term to describe companies that are trading on low valuations.

Investors no longer have to pay rich ratings to find companies with growth because 'value' stocks now have brighter prospects as vaccines help to reopen society.

Virgin Money was previously out of favour due to operating in a low interest environment that made it hard to make good money. Rates could go up once the economy strengthens, hence why investors are now looking at it again.

Greencore suffered from a sharp drop in 'food on the go' sales. Signs that more people are returning to offices would suggest a near-term recovery in demand for packaged sandwiches.

On 19 March, markets were weak globally (in addition to the negative impact of rising bond yields) as new lockdown measures in France and Italy dampened hopes for their economic recovery and reminded us that countries are still vulnerable to more lockdown restrictions. That hit shares in oil producers, airlines and hotels.

Some UK companies will suffer from any setback to a revival in tourist activity. Even so, many UK businesses could have enough domestic demand not to be derailed by what's going on overseas. That might explain why the stocks rising in a falling market on 19 March included UK-focused names including housebuilder **Vistry (VTY)** and retailer **Dixons Carphone (DC.)**.

Georgina Brittain, co-manager of **JPMorgan Smaller Companies (JMI)**, says her investment trust is currently at its maximum gearing levels because she thinks there are so many good opportunities among UK stocks. This refers to the investment trust borrowing money to have more cash to invest in the markets.

She says the trust has even been selling some holdings to create cash for redeployment because she sees so many UK stocks that look attractive.

'We think the consumer, really truly, is raring to go. They are desperate to get out and spend money. Yes, we'd like to go overseas (on holiday) but very clearly all of us will be in the pub, restaurant, cinema, bowling, etc, this year.'

The key question investors should be asking is whether analysts have been too conservative with their earnings forecasts. We have a good idea that 2021 will be better for UK-facing companies but beating expectations will be the key driver to achieving further share price gains.

By **Daniel Coatsworth** Editor

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CFA UK Publication of the Year CFA UK Journalism Awards 2019

News Provider of the Year (Highly Commended) CFA UK Journalism Awards 2020

Travel firms face another cash call if summer is a flop

Most firms raised enough to survive until mid-2021 after expecting a big summer recovery, but will need more if foreign holidays are banned this season

Airlines and tour operators might have to ask investors and/or lenders for more money to survive another year with summer holidays potentially in doubt.

Summer 2021 had been earmarked as the period where the sector could finally see a meaningful recovery, but politicians have cautioned people against booking holidays for now and the UK Government's scientific advisers have warned international travel is unlikely 'for the average holidaymaker' this July and August due to the threat of new coronavirus variants and their impact on vaccines.

The share price movements of most airlines and tour operators have been led by investor optimism or pessimism over summer holidays since the pandemic began, and many including British Airways owner **International Consolidated Airlines (IAG)**, tour operators **TUI (TUI)** and **Jet2 (JET2:AIM)**, and budget airline **EasyJet (EZJ)** have dropped sharply in response to the latest threat to summer getaways.

Summer is the crucial period for the travel sector where businesses recoup losses made in winter, and most companies in the industry, as well as investors, were betting on a big uptick in demand this summer compared to last thanks to the rollout of vaccines, and capacity was set to be increased.

However, as it stands it remains to be seen if they have enough liquidity to endure another summer with little income, though some airlines have sought to raise cash in recent weeks.

IAG raised €1.2 billion in a bond issue in mid-March which the airline said would help it 'withstand a more prolonged downturn in air travel'. At the end of 2020, IAG had €10.3 billion in available cash, while in the first quarter of 2021 it has managed to slash its weekly cash burn by 55% to €185 million per week, compared to the same period in 2020.

TRAVEL STOCKS SLUMP ON HOLIDAY THREAT

	Fall since 19 March market close	12-month performance
Jet2	-10.7%	145%
TUI	-10.5%	81.8%
EasyJet	-8.8%	40.3%
International Consolidated Airlines	-8.5%	41.2%
Ryanair	-5.4%	81%
Wizz Air	-3.8%	133%
On The Beach	-3.3%	165%

Source: SharePad data taken 23 March

EasyJet raised €1.2 billion in a bond issue in February and has consistently made it clear to investors throughout the pandemic that it will 'continue to review its liquidity position on a regular basis and will continue to assess further funding opportunities, should the need arise.'

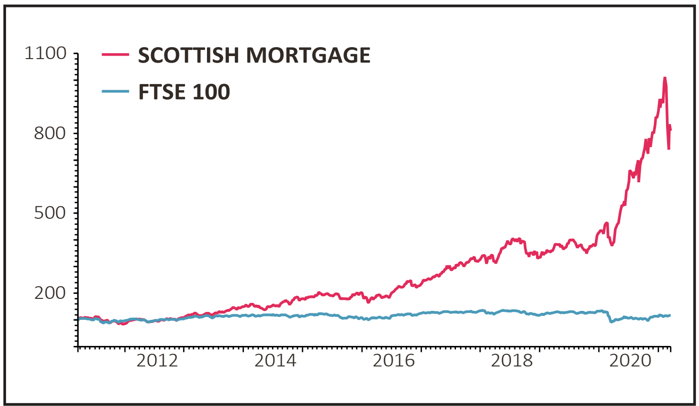
Before the bond issue it had 'unrestricted access' to £2.5 billion in liquidity, while in a fully grounded scenario its weekly cash burn stands at £40 million per week.

One prime candidate to raise more cash is TUI, which has been bailed out by the German government three times since the pandemic began, and in its latest update said only that it had 'liquidity bridged to the summer 2021 travel recovery'. As of 3 February, it had €2.1 billion in liquidity and monthly cash burn between €250 million and €300 million. [YF]

Scottish Mortgage faces future without talisman James Anderson

The fund manager's resignation is not a sign that growth stocks are now a losing trade

The resignation of James Anderson as co-manager of Baillie Gifford-run **Scottish Mortgage Investment Trust (SMT)** is not a sign that growth shares have passed their peak.



Some cynics believe news of his forthcoming departure calls the top for the type of stocks that have made Scottish Mortgage so successful over the past decade, namely ones that offer significant potential for long-term growth, and that he is getting out while the going is good.

More likely, Anderson has simply reached the point in his life where he can ease off a bit. He's been with Baillie Gifford for 38 years and Winterflood analyst Simon Elliott says most partners at the company seem 'happy to wander off into the sunset when they hit the age of 60 or so'. He will leave in April 2022.

The investment trust has delivered a 1,318% net asset value return in the near-21 years that Anderson has been manager, says Elliott. However, the trust's share price has fallen by nearly 20% since mid-February 2021 as investors have switched attention to value stocks which offer the prospect for growth today.

Scottish Mortgage has tended to favour more highly-rated stocks where growth could be delivered long into the future. Rising global interest rates, as expected in the coming years, decrease the theoretical value of longer-term cash flows for stocks in sectors such as technology which are prevalent in Scottish Mortgage's portfolio.

Even though its investment style may be out of favour today, it has a proven investment process which could still yield strong returns over the long term.

Co-manager Tom Slater is stepping up to become lead manager when Anderson retires and Baillie Gifford partner Lawrence Burns will become deputy portfolio manager with immediate effect. Burns is already well versed in what Scottish Mortgage seeks in an investment and Slater has been making big portfolio decisions since he became co-manager in 2015, which should provide comfort to shareholders.

Scottish Mortgage is unfairly seen as just a play on Amazon and Tesla as they've been big holdings in recent years. The trust's success is much wider reaching with many other stocks playing a key role in generating value. The pipeline of future stars also looks promising thanks to Scottish Mortgage's ability to invest in private companies.

The investment trust has a stake in payments group Stripe which has just been valued at a record $95 billion after raising $600 million from investors including Baillie Gifford, almost tripling its valuation since a fundraise in April 2020.

Another notable portfolio holding is gaming company Epic Games, which owns the popular Fortnite online game. Epic could be worth around $28 billion based on the latest round of funding. That represents a 62% uplift on its last funding round seven months ago. [MG]

Questions raised by return of share buyback craze

Companies are flush with cash but short of inspiration it seems

A year after the UK locked down for the first time and companies went into 'survival mode', cutting all non-essential spending and hoarding cash, share repurchases are making a comeback.

Investors should be asking why firms are buying back stock and not reinvesting their capital to generate higher returns.

Barclays (BARC) and **NatWest (NWG)** have both announced major share buybacks, the former for up to £700 million worth of shares in the market and the latter to buy £1.125 billion worth of shares directly from the Government.

For Barclays, the buyback amounts to roughly 2.2% of its market value. Once purchased, the shares will be cancelled, adding a small amount to tangible net asset value.

For NatWest, the purchase of Government-owned shares amounting to 4.9% of its capital also raises its net asset value, although it is only cancelling 60% of the acquired shares and retaining 40% for its employee share scheme.

Industrial firms **Ferguson [FERG)** and **Spectris (SXS)** have laid out plans to repurchase a combined £415 million of shares.

Despite differing fortunes – with Ferguson enjoying rising sales and Spectris experiencing falling sales over the past year – both firms have found themselves with excess capital and no obvious use for it.

Typically, firms have a list of options for surplus capital starting with paying down debt, then making growth investments – either to boost organic growth or adding sales via acquisitions – before they consider handing cash back to shareholders via buybacks or dividends.

Ferguson had spent $224 million on acquisitions in the six months prior to its buyback announcement so it had already made growth investments, but Spectris was a net seller of assets and clearly hadn't found a useful way to deploy the proceeds.

RECENT SHARE BUYBACK ANNOUNCEMENTS

Company	Date	Amount
NatWest	19-Mar-21	£1.125bn
Barclays	19-Mar-21	£700m
Sage	04-Mar-21	£300m
CRH	04-Mar-21	£216m
Ferguson	22-Mar-21	£215m
Spectris	22-Mar-21	£200m
Balfour Beatty	10-Mar-21	£150m
Direct Line Group	08-Mar-21	£100m
Domino's Pizza	09-Mar-21	£45m

Source: Company announcements, Shares

Earlier this month insurer **Direct Line (DLG)** announced a £100 million buyback saying it was 'confident' in the outlook and saw itself as a 'tech and data driven insurance company of the future'.

Insurers are historically income plays so Direct Line's buyback may have been to top up the miserly increase in the final dividend. But given the historic hardening of rates across the insurance industry it's surprising the firm should choose to hand cash back to shareholders when it could be earning supranormal returns on invested capital for the next couple of years.

Domino's Pizza (DOM), which aims to increase sales by 30% in the next few years through new store openings, also chose to buy back shares, which seems to raise questions both over its capital allocation policy and confidence in its own growth plan. [IC]

SPAC surge sees return of serial software business builder Vin Murria

She's back with a cash shell called AdvancedAdvT

Investors have an opportunity to ride the value creation coattails of Vin Murria, the serial software sector entrepreneur who has twice made a packet for shareholders.

Murria will chair **AdvancedAdvT (ADVT)**, a so-called SPAC (special purpose acquisition company) which has raised £130 million from investors with a remit to target mid-sized privately-owned software businesses. She is expected to take an active role in the company's strategy and the selection of targets.

Her career spans more than two decades of listed company leadership, venture capital and private equity, centred around mergers and acquisitions in the software sector.

The multi award-winning technology entrepreneur is best known for turning a £12 million software business into a £750 million company for investors at Advanced Computer Software, a company *Shares* told readers to buy multiple times, first in November 2011 when the shares traded at 44p. The company was eventually sold to private equity firm Vista Equity Partners in a £750 million deal, with shareholders getting a 140p per share cash bonanza.

Before that Murria had netted investors a 10-fold return when she led a 2007 management buyout of Computer Software Group, a business she had set up in the early 2000s.

Murria has bought £17.5 million of AdvancedAdvT shares in the fundraising, which was priced at 100p each, giving her a 13.1% stake in the business.

She will be reunited with Gavin Hugill as chief operating officer, who previously worked alongside Murria at Advanced Computer Software.

AdvancedAdvT says its principal focus will be finding software businesses in the UK, Europe and North America.

The UK software space has seen an explosion of takeover activity throughout the pandemic as investors looked to capitalise on the accelerated go-digital trend.

That has inflated valuations across the sector, something that analysts believe will present a challenge to AdvancedAdvT, considering valuations are 'now somewhat different to those Murria experienced while building up Advanced Computer Software,' says Megabuyte analyst Lee Prout.

'More broadly, the interesting point is that this is the first example of the SPAC type model that is making hay in the US landing in the UK tech sector,' Prout adds. [SF]

AdvancedAdvT is looking to buy a company that exhibits these characteristics:

Software business characteristics	Why attractive
High recurring revenue	Resillient business models
Sticky customer base	Low customer churn
High free cash flow	Generates M&A firepower
Extensive cross and up-sell opportunities	Scalable with economies of scale
High barriers to entry	Defensive
Founder-owned business	Consolidation opportunity

Source: AdvancedAdvT

STV is the value stock you need to own today

The company has increased its dominance of the Scottish TV market and has ambitious growth plans

If you're looking for a value stock with very attractive immediate growth prospects, we've got just the one. Scottish free-to-air broadcaster **STV (STVG)** is **ITV's (ITV)** counterpart north of the border and outperforming its one-time parent.

STV trades on 9.7 times forecast earnings for 2021 and its pre-tax profit is forecast by analysts to grow by 37% this year to £20.2 million and then hit £23.3 million in 2022 and £27 million in 2023.

Investors could also earn a 3% yield from dividends this year after STV restated payments alongside recent full-year results (16 Mar), something that ITV notably failed to do when announcing its latest annual numbers.

STV's decision to repay furlough cash reflected its confidence in the outlook, with net debt of £17.5 million materially better than analysts had forecast.

STV
BUY
(STVG) 328p
Market cap: **£153 million**

And in a move that will tidy up some loose ends, STV has reached an agreement in principle to exit its non-core lottery management business, subject to the approval of the Gambling Commission. This will remove 'a negative cash drain' on the business, according to broker Peel Hunt.

IMPROVING TRENDS

Advertising trends are improving both nationally and locally. STV benefits from an advantageous deal with ITV, struck in 2012 after a long-standing dispute between the two parties. This arrangement, lasting until 2024, insulates STV from both declines in the national advertising market and increases in the ITV programme budget.

The local advertising over which STV has control fell just 5% against 14% for national advertising revenue in 2020.

STV: free cash flow forecast to grow

Year	Free cash flow
2020	£5.6 million
2021e	£7.3 million
2022e	£13.7 million

Source: Peel Hunt

Overall STV saw a decline of 10% in advertising revenue in the year but this situation is reversing rapidly and it expects total advertising revenue for April 2021 to be up between 60% and 75%.

The rebound looks set to continue, with the delayed Euro 2020 football tournament, which notably features a fixture between Scotland and England, a likely catalyst. Though one risk facing advertising budgets is the prospect of continued travel restrictions crimping spend by airlines and tour operators.

STV's push to secure a greater share of local advertising has been supported through the STV growth fund. This offers matched funding for TV advertising campaigns, free advertising for start-ups and, for some consumer-facing businesses, even advertisements in return for revenue or equity sharing agreements. The venture attracted 91 new advertisers in 2020, taking the total to 236 since its launch in 2018.

While ITV lost audience share to the BBC over the last year, STV solidified its position as the dominant broadcaster in Scotland. The total audience on STV was up 14% in 2020, the highest growth of any channel in Scotland, with an all-time viewing share of 19.2%. STV (the channel) was the most watched at peak time, 10% ahead of BBC1.

Online viewing on the STV Player platform was up 68%, the fastest growth of any video on demand service offered by a UK broadcaster as the company added new exclusive content and made it available on all major platforms across the UK.

PRODUCTION AMBITION

The strategy for the next three years is to double digital viewing, user numbers, and advertising revenue to £20 million.

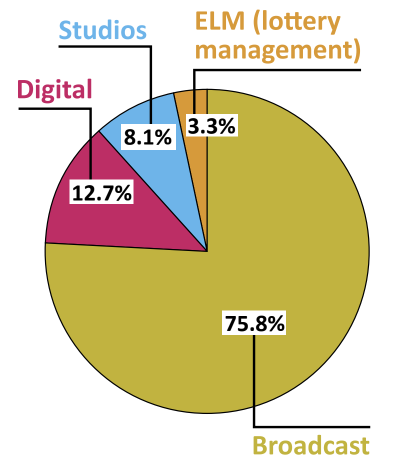
Another leg of this medium-term strategy is to quadruple revenue from the company's STV Studios production business to £40 million.

These aims would support a target of deriving at least 50% of operating profit from outside its traditional broadcasting activities and they are backed by a planned investment of £30 million.

STV Studios enjoyed a noteworthy critical success in 2019 with *Elizabeth is Missing* – a one-off TV drama starring Glenda Jackson – with the leading actress winning prestigious BAFTA and Emmy awards for her performance.

Although the production arm was inevitably disrupted by the pandemic, the company won a record number of commissions in 2020, supporting the credibility of its ambitious 2023 revenue target.

STV: revenue breakdown 2020

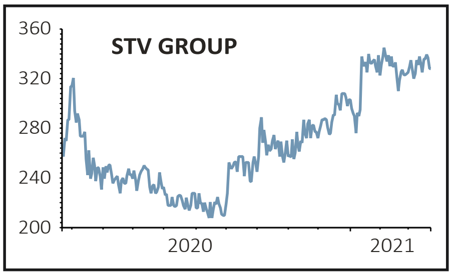


TARGET TO HIT 50% NON-BROADCAST REVENUE BY 2023

Source: STV

A potential risk for STV is political uncertainty with the Scottish National Party looking for a mandate for another independence referendum in May's Scottish Parliament elections.

However, STV chief executive Simon Pitts tells *Shares* that he is confident in the company's position which is underpinned by long-term licences, noting the turbulent backdrop in Scotland has driven 'extraordinary audiences' for its political coverage. [TS]



Margin growth to power TT Electronics

Components designer is rebuilding its business with better quality profits

Many investors are drawn to turnaround recovery stories, and that badge certainly fits electronic components designer **TT Electronics (TTG)**.

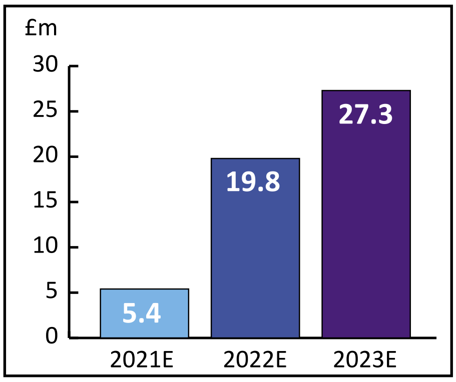
This is a company pushing through operational improvements while building a competitive niche in long-run growth industries, and we believe there is a powerful profit margin lever that could drive the share price even if revenue growth remains pedestrian.

TT, which engineers and manufactures its roster of products, is expanding beyond its traditional sensors and instrumentation markets into fast-growing, and more profitable, digital areas.

This includes supplying complex connectivity, automation and machine learning components and systems for industrial, renewables and medical applications.

TT ELECTRONICS
BUY
(TTG) 211p
Market cap: £368 million

Free cash flow potential for TT Electronics



Source: Numis

TT is increasingly investing in in-house designed solutions and bolstering its products and expertise with carefully vetted acquisitions.

A good example was the launch of a Covid-19 screening device called Virolens designed alongside partners iAbra and US chipmaking giant Intel, news which saw the stock spike in September 2020.

COVID RECOVERY HOPES

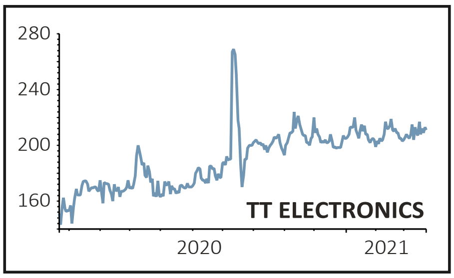
The pandemic has hurt TT, like so many manufacturing businesses, with 2020 sales and operating profit down 10% and 31% respectively. But as recovery kicks in, and comparatives ease, TT's rebound could be substantial. For example, operating profit margins of nearly 9% are forecast by 2022 and around 10% by 2023, compared to last year's 6.4%.

That implies a near doubling of earnings to around 20p per share, pricing the stock at 300p-odd by just maintaining its current 15 price-to-earnings (PE) multiple. A modest re-rating to a PE of 18 could see the shares hit 360p, for capital returns of between 40% and 70% over the next couple of years.

Earlier this month analysts at Numis Securities flagged the accelerated recovery post the December 2020 year end and record order book even after stripping out the Torotel acquisition, sealed in September. Numis calculates that roughly 80% of this year's £454.5 million sales are already booked, ahead of its 70% average.

Yes, the figures showed a litany of restructuring and other one-off costs as the business is reshaped, but these actions will spawn £5 million savings this year and an average £11 million to £12 million a year by 2023, the company says.

Encouragingly, cash generation remained strong and it resumed dividends, which is indicative of management's underlying optimism going forward. This year's Numis dividend estimate is for 5.5p, equating to a 2.6% yield. [SF]



FORD MOTOR
(F:NYSE) $12.85

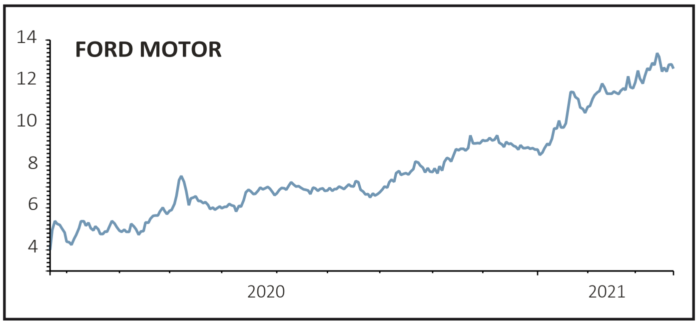
Gain to date: 84%
Original entry point:
Buy at $6.99, 13 August 2020

OUR BULLISH CALL on **Ford (F:NYSE)** looks increasingly canny with shares in the Jim Farley-steered car maker having motored 84% higher from our entry price.

Investors are increasingly positive about Ford's investments in areas such as electric and autonomous vehicles and as economic activity recovers post-pandemic, Ford should see increased sales for its cars and pickup trucks.

One near-term negative is that in common with other auto makers such as General Motors and Stellantis, Ford is feeling the impact of the global semiconductor shortage; it recently warned lost production due to the chip shortage could lower this year's earnings by $1 billion to $2.5 billion.

Nevertheless, Ford's shares surged earlier this month after Barclays upgraded the stock from 'equal weight' to 'overweight' and upped its price target from $9 to $16. The investment bank is growing more comfortable with the margin improvement outlook at Ford and is enthused by its clearer electric vehicle strategy.



SHARES SAYS:
Keep buying Ford for the upside to come from electric vehicles and as a post-pandemic reopening play. [JC]

ELEMENTIS
(ELM) 120.6p

Loss to date: 4%
Original entry point:
Buy at 125.9p, 18 February 2021

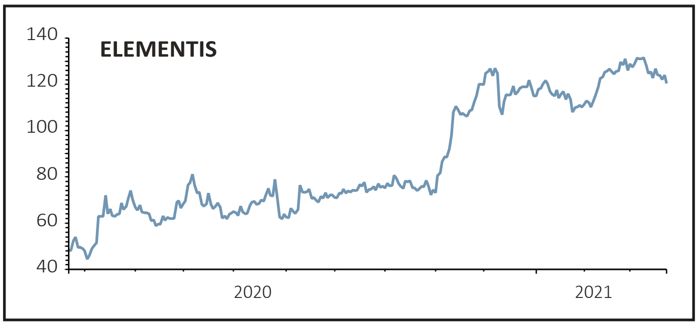
CHEMICALS FIRM **ELEMENTIS (ELM)** is cautiously optimistic on demand for its products in the months ahead, which combined with the firm's cost saving measures should drive better financial performance this year and reduce operational leverage.

The firm said it has made an 'encouraging' start to 2021 with demand improving as Covid-19 restrictions start to get lifted, and it expects further steady demand improvement from its levels in the second half of 2020, augmented by self-help actions which will save $10 million, driving improved financial performance and a reduction in leverage.

Elementis' management also communicated new 2023 cost saving targets of $10 million as well as a $10 million working capital reduction.

Last year wasn't the best for Elementis as it reported a pre-tax loss of $68.8 million compared with a profit of $61 million for 2019, with revenue down 14% to $751 million. Performance was hit across sectors, though coatings and personal care held up best with falls in revenue of just 7% and 9% respectively in 2020.

On a more positive note, Elementis managed to get net debt down to $408 million, below the $417 million analysts had expected, which should help shift the firm's investment case from deleveraging to recovery going forward.



SHARES SAYS:
Elementis is still on track to profit from the reopening. Keep buying. [YF]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ACTIVELY MANAGED
TRUSTED FOR OVER 35 YEARS

Supply deficit will create semiconductor winners

Shortage of these tiny but vital bits of tech hardware underscores the opportunity for the industry and investors

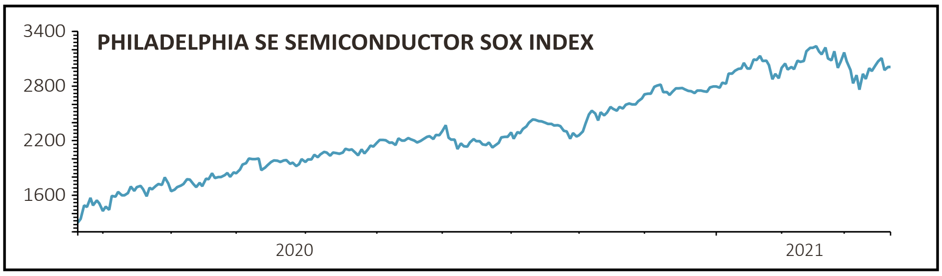
When one the world's biggest microchip manufacturers talks about semiconductor supply shortages, it's time to sit up and listen. Global car makers including Ford, Toyota, Nissan, VW and Fiat Chrysler have all had to scale back production this year, and now South Korean electronics giant Samsung has warned that chip shortages are spreading beyond the auto industry.

This is hardly surprising when microchips are being built into ever more products as part of the super-connected internet of things. Chips are now in everything from watches, fridges and ventilators as well as the tidal wave of tech devices we all rely on.

The semiconductor shortage can be traced back to the early stages of the pandemic when automotive demand collapsed. 'Some semiconductor capacity was furloughed, and the rest switched to consumer electronics which performed very strongly with everyone working and learning from home,' says Richard Windsor of research group Radio Free Mobile.

The shortage wasn't caused by a single issue but by multiple factors conspiring to create the supply deficit.

These include the US/China trade war, fires, droughts and shock snowstorms in Texas which is a key US chip manufacturing hub. These factors have coincided with a period of soaring demand. In January alone, chip sales reached a record $40 billion, up 13.2% year-on-year. Manufacturers simply can't produce them fast enough.



Current business models have also helped create a ticking timebomb, with an increasing number of semiconductor companies concentrating on chip design and outsourcing the manufacturing to other companies. That has added to the bottleneck.

'This will sort itself out in a few quarters as inventory buying eases, supply chains stabilise and the world goes back to work,' says Windsor.

Taiwan Semiconductor Manufacturing Company, one of the world's largest semiconductor outsource manufacturers, has already lifted its 2021 capital spending budget to $28 billion but the industry cannot simply flick a switch to boost capacity. New plants cost billions to build and fit out and can take up to five years to complete.

Since stock markets bottomed about a year ago the sector benchmark Sox (Philadelphia SE Semiconductor) index has rallied nearly 130%. *Shares* spotted the opportunity early on, telling readers to invest in industry plays ASML in April 2020 and Texas Instruments and Lam Research in May and June, for an average 67% return to date.

Taiwan Semiconductor has forecast 'multiple years of growth opportunities' as the digital economy increasingly becomes 'the' economy. We expect chip demand to remain high, if somewhat cyclical, with the need for faster, smaller, more powerful and more complex semiconductors driving strong returns for the right companies and their investors.

By **Steven Frazer**
News Editor

ADVERTISING FEATURE

BB Healthcare Trust

FE fundinfo Crown Fund Rating

SEARCHING FOR INNOVATIVE HEALTHCARE INVESTING?

THAT'S WHAT WE DO.

BBH Total Return % (assuming reinvestment of dividends in security)

Period ending 28.02.2021	1 Year	3 Years	Since launch
BBH Share Price	+40.0	+84.5	+106.5
BBH NAV	+39.4	+83.1	+105.7
MSCI World Heathcare Index (GBP)	+11.8	+40..4	+59.6

Source Bloomberg/Bellevue Asset Management

- **Market capitalisation £985m (LSE: BBH)**
- **Objective is to generate capital growth and income by investing in portfolio of listed global healthcare equities with a 3-5 year horizon**
- **Differentiated investment philosophy, "reinvention of the healthcare ecosystem"**
- **High conviction portfolio (max. 35 holdings) coupled with unconstrained (sub-sector, geography, market cap) healthcare mandate**
- **Targeted 3.5% Dividend Yield (scrip or cash options available)**
- **Effective discount control mechanisms (annual redemption option, buybacks)**
- **Experienced portfolio managers with extensive scientific, medical and finance backgrounds**

Modern healthcare systems have done an excellent job of reducing mortality rates and extending life expectancy. However, this benefit has regrettably come with unsustainable, spiralling costs associated with managing the multiple chronic diseases facing an ever aging population.

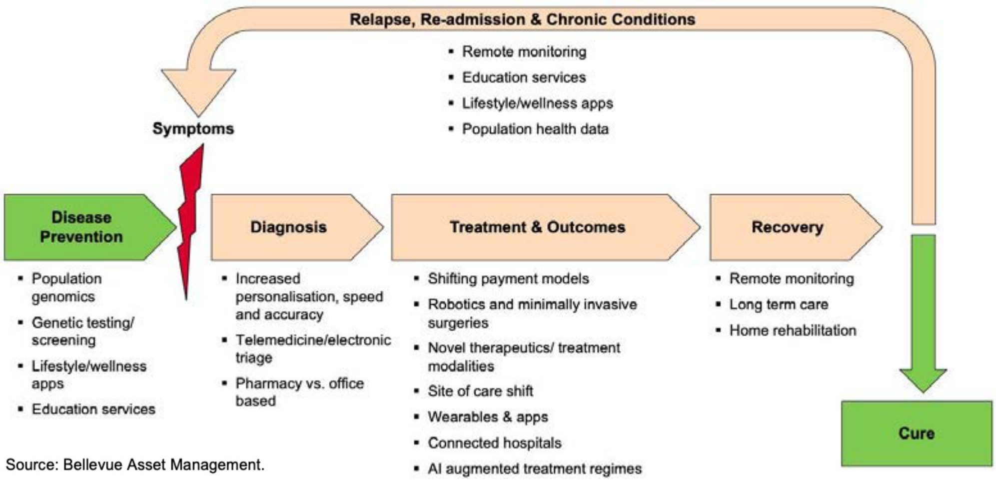
As a result, many healthcare systems can no longer cope with the needs of the 21st century population having been conceived in a different era. The solution to the problem is not 'more money' but a wholesale reinvention of the entire healthcare ecosystem.

We have identified a number of areas ripe for profound change, where the opportunity to revolutionise care delivery has been made possible by the emergence of new technologies, products, services and approaches.

The pictogram below represents our view of the 'patient journey' through a healthcare system. Whilst not exhaustive, the 21 bullets represent some of the opportunities for the reinvention of the healthcare ecosystem thereby improving outcomes, lowering the cost of care, or both, thus beneficially bending the aforementioned unsustainable spiralling 'cost-curve'.

All of these 'bulleted themes' are featured in our portfolio. In short, we are looking to provide investors with operationally geared exposure to the bullet points, through a balanced, bottom-up selection of companies to optimise the risk/reward profile.

If you would like further more detailed information then please visit www.bbhealthcaretrust.com



Source: Bellevue Asset Management.

Ignore short-term noise and buy dynamic, data-driven RELX

The FTSE 100 company is at the forefront of analytics, an area which is only likely to become more important in the digital age

Shares in information services business **RELX (REL)** have lagged the FTSE 100 since the market shifted its focus to cheap value stocks following the vaccine breakthroughs in November 2020.

Relative share price weakness represents an excellent opportunity to buy shares in this high-quality business. It is at the forefront of analytics – the increasingly crucial role of identifying, interpreting and communicating meaningful patterns in data which organisations can use to forecast and improve performance.

The shares trade on nearly 24 times forecast earnings per share, which is not overly expensive given the long-term potential for the business to deliver consistent growth.

KEY DATA

RELX (REL) £17.57

2021 PE: 23.9

2021 Yield: 2.8%

Source: Refinitiv

HOW DOES IT MAKE MONEY?

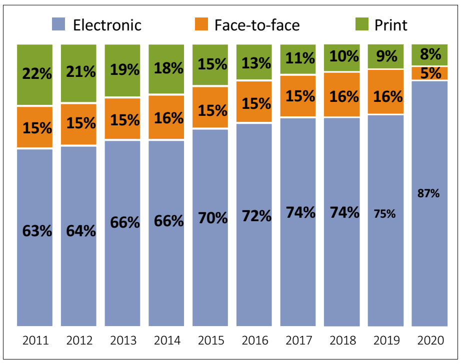
Formed nearly 30 years ago by the merger of publishing groups Reed International and Elsevier, the company has increasingly moved away from print products to become a more digital operation.

The group generates 60% of its revenue from subscriptions – supporting visibility on future income. The rest of its sales come from transactional activities (39%) and advertising (1%).

RELX can take in large data sets and distil the information to remove irrelevant and unreliable data and deliver focused analysis to its client base.

For example, this could mean helping a cancer treatment centre understand the outcomes for its customers and get the latest information on treatments and diagnostics to help improve levels of care. Or it might be supporting online classified ads platform Gumtree in weeding out fraudulent accounts.

Revenue by category



Source: RELX

RELX says: 'Our products often account for less than 1% of our customers' total cost base but can have a significant and positive impact on the economics of the remaining 99%.'

WHAT IS THE STRATEGIC PLAN?

The focus is on organic growth underpinned by developing sophisticated analytics tools to adapt to the needs of its customer base.

As chief financial officer Nick Luff tells *Shares* it is a question of prioritising the right areas. 'To make those decisions you need to know what data is available and be close enough to your customers to know what problem you are trying to solve.'

Luff explains this internally driven expansion should continue to be supplemented by modest-sized acquisitions.

The company remains committed to its exhibitions arm, despite the impact of Covid clouding the near-term outlook, with virtual events potentially making a larger contribution over time. Numis analyst Steve Liechti says: 'RELX is still experimenting to find out what is most helpful/valuable and, importantly, what people will pay for.'

RELX - Divisional snapshot

Division	Global market position	% of 2020 revenue
SCIENTIFIC, TECHNICAL & MEDICAL Provides information and analytics that help institutions and professionals advance science, healthcare and improve performance.	1	38
RISKS & BUSINESS ANALYTICS Provides customers with information-based analytics and decision-making tools that combine industry specific content with advanced technology to help evaluate risk and enhance efficiency.	1 in key markets	34
LEGAL Provices legal, regulatory and business information and analytics which helps boost productivity and improve decision making.	2 in US, outside US 1 or 2	23
EXHIBITIONS Global events business which ran 169 face-to-face events and 71 digital events in 2020.	2	5

Source: RELX

TRACK RECORD AND NEAR-TERM PROSPECTS

RELX has an excellent track record of share price, operational and financial performance going back at least a decade.

'The company has demonstrated the ability, on an underlying basis, to deliver around 4% revenue growth, 6% operating profit growth and 8% earnings per share growth in recent years. Scaling the footprint of its electronic information businesses should provide scope for further gradual acceleration in the medium term,' says investment bank Berenberg.

Based on consensus forecasts earnings are expected to recover sharply in 2021 but won't surpass 2019 levels until 2022. This reflects ongoing pressure on its exhibitions arm and a currency headwind.

WHO IS IN CHARGE?

The consistency in performance has been mirrored in the leadership of the group. Chief executive Erik Engstrom has been in place since 2009 and previously headed up the Elsevier science journals business. Numbers man Luff has been in situ since 2014.

Chairman Paul Walker took up his position in March 2021, replacing Anthony Hapgood who had been in the role for more than a decade.

HOW STRONG IS THE BALANCE SHEET?

Net debt totalled £6.9 billion as of 31 December 2020. According to Numis' Liechti, 'Debt is relatively high, though RELX has no covenant issues, good access to capital markets and strong banking facilities.'

KEY RISKS

A perceived threat is the impact of open access – the principle of giving away publicly-funded peer-reviewed research for free – on subscriptions in its science, technical and medical division and more specifically its Elsevier operation.

Luff says this misunderstands RELX's role which is organising the delivery and vetting of this research whether it is paid for by the author or by the subscriber.

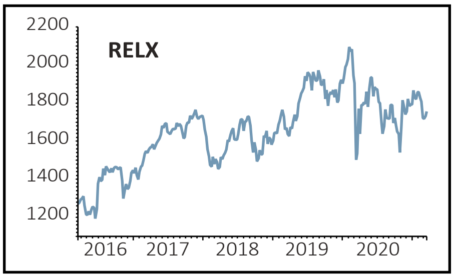
'We do either,' he says. 'We'll do open access, but our subscription revenue is also growing fast.'

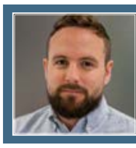
In 2017 universities in Sweden and Germany cancelled subscriptions in a dispute over the cost of access to journals but Luff says this has occurred where institutions were on 'the wrong side of either model' or in other words not getting paid for their own research and having to pay for outside journals. 'We've found ways of accommodating different institutions,' he adds.

While RELX continues to generate high margins in its Elsevier business, questions over access to research and its impact on profitability may continue.

The other major risk, given the centrality of data to the business is a serious cyber security failure or data breach.

SHARES SAYS: In balance, we think the shares are a compelling investment. Buy and hold for the long-term.





By **Tom Sieber**
Deputy Editor

J.P.Morgan
Asset Management

TIME FOR A TAX-EFFICIENT ISA INVESTMENT YOU CAN TRUST

Every year, investors have the opportunity to receive a tax-efficient income and tax-free growth from an individual savings account (ISA). Yet many do not maximise the opportunity of sustainable income and powerful growth that can be achieved from a variety of investment trusts in a stocks and shares ISA.

TAX BENEFITS OF STOCKS AND SHARES ISAS

The ISA allowance for 2020/21 is £20,000 and the deadline to maximise your allowance is 5 April 2021. That means there's still time to take advantage of this tax shelter this year. Stocks and shares ISAs can shelter assets from almost any recognised stock exchange, including equity markets, bond markets and even a range of multi-asset funds, which will include cash and property holdings. Investors can buy individual shares or they can choose to invest in funds or investment trusts.

Investment trusts are pooled funds which offer investors a way to diversify their holdings, particularly in global markets, and especially for those with relatively small sums to invest. These funds also frequently build their portfolios to withstand short and medium-term fluctuations in the market. That's why they can offer income for the short term, as well as medium to long-term growth potential.

INVESTMENT CONSIDERATIONS IN 2021

While a balanced approach to investment is always advisable, optimism around equity markets for 2021 is strong. The markets weathered the worst effects of the pandemic and 2021, particularly in the second half, is slated for the start of the big recovery. With vaccination programs advancing around the world, we can look forward to economies that have been in varying stages of lockdown reopening.

At the same time, governments are continuing to seek funds through the bond markets to support economic growth. They are expanding into social bonds and green bonds and bringing new innovations and excitement to bond markets.

Even if the stock markets are to prove somewhat bumpy in 2021 as the pandemic continues, investment trusts have the unique ability to smooth out some of these bumps. They typically retain up to 15% of returns in good years to sustain dividend distributions to shareholders in bad years. That's why some leading investment trusts have been able to keep raising dividends every year for decades.

J.P. MORGAN'S LEADING INVESTMENT TRUSTS

The **JPMorgan Claverhouse Investment Trust** (stock market ticker: **JCH**), for example, invests in 'blue chip' or large and long-established British businesses, such as the energy giants, Royal Dutch Shell and BP; the Marmite-to-Magnum ice cream global food and drink business, Unilever, and pharmaceutical groups, such as GlaxoSmithKline and AstraZeneca, a particularly interesting stock this year.

This strategy has paid off, year after year. Despite market aftershocks from macroeconomic factors like the pandemic and Brexit, in January, Claverhouse announced that it was increasing its dividend by 1.7%. That's the 48th year in a row that the trust has raised its dividend and the longest record of unbroken rises of any UK equity-focused trust.

For investors who prefer a balanced approach to risk, investment trusts like **The Mercantile Investment Trust (MRC)** offers the opportunity to invest in a UK portfolio of medium and smaller companies with dividents at least in line with UK inflation. MRC's dividend income has risen by an annual average of 10% over the last five years. Its total returns were negative last year - they shrank by 5.1% - but were positive at 71% over five years and 199% over 10 years. It's also an investment trust that knows how to weather a crisis, having launched in 1884 and survived both World Wars and the Great Depression.

PURSUING EMERGING MARKETS

Perhaps the most enticing gains are to be found in investment trusts focused on emerging markets like Brazil, Russia, India and China. These volatile markets can offer higher returns, but, of course, only to the investor who is willing to accept higher risks. In this environment, professional fund management is particularly valuable, helping investors to navigate corporate governance and financial regulation.

The **JPMorgan Emerging Markets Investment Trust (JMG)** has a wide, global portfolio, including Chinese internet giants like Tencent and Alibaba, digital chip firm Taiwan Semiconductors and Latin American ecommerce firm MercadoLibre. An individual investor may hesitate to land on these firms as individual stock picks, but JMG delivered total returns of 39% over the last year, 193% over the last five years and 175% over the last decade. JMG yields only 1% dividend income but this has risen at an annual rate of nearly 19% over the last five years.

Emerging markets have suffered from the

consequences of the global pandemic, particularly coming as it did on the heels of the US-China trade war. But there's a new administration in the White House, the end of the pandemic is in sight and long-term investors still see reasons to feel positive about the right portfolio of emerging market stocks. JMG tilts towards low capital intensity, high-growth businesses that offer huge potential market, such as software and ecommerce firms.

It's also a trust that has embedded ESG in its approach, due to the ethical considerations of our individual investors and our own responsibility to consider the consequences of our investments. But also, because it is so entirely consistent with a long-term approach to investment. A sustainable approach will deliver better results, reduce costs and translate into strong investment outcomes in the long term.

THE CLOCK IS TICKING

April 5th is fast approaching. If you haven't yet considered investment trusts for your stocks and shares ISA for this tax year, now is the time. And J.P. Morgan's range of investment trusts can offer the perfect vehicle, from blue-chip UK firms to the best of small and medium British enterprise, or a carefully curated portfolio of sustainable, innovative emerging market companies.

For further information on J.P. Morgan's range of Investment Trusts visit www.jpmorgan.co.uk/long-view

10 MUST-HAVE STOCKS AND FUNDS FOR YOUR ISA

By **Steven Frazer**, **Martin Gamble**, **Tom Sieber** and **James Crux**

Many Brits have seen their incomes remain much the same through the year of lockdowns but their spending plummet. It's time to put that spare money to work in an ISA.

Investing spare cash is a sensible option for many people. Take George, for example. He put £10,000 in a Cash ISA account five years ago on a fixed 2% a year interest rate. At the same time, his sister Mildred also decided to put £10,000 away, but she chose a low-cost FTSE 100 tracker fund, the **iShares FTSE 100 ETF (CUKX)**, held in a Stocks and Shares ISA.

Mildred turned her £10,000 into £13,230 by investing versus George's cash savings which became £11,040 after five years.

There were ups and downs in the stock market during those five years and Mildred might even do worse than George at times in the future, particularly if the stock market is going through a bad patch.

However, historically shares have outperformed cash over the long term. A study by Barclays found that shares returned 5.3% a year, adjusted for inflation, in the 50 years to the end of 2019. Over the same period, cash only returned 1% a year.

Nevertheless, it's worth considering that investing isn't suitable for everyone and putting money in a Cash ISA could still generate better returns than leaving it gathering dust in a current account.

FINAL CALL FOR ISA CONTRIBUTIONS

There are only a few days left for savers and investors to take advantage of this tax year's £20,000 ISA allowance before the new tax year begins on 6 April. Some readers will be ahead of the curve and have already topped up their ISAs to the limit, but many will not.

Whether you've used up part of your allowance, or none at all, this feature shows you how you could put that money to work for tax-free returns.

We have pulled together 10 fund and stock ideas to make those investment decisions as easy as possible before it's too late to take advantage of this tax year's ISA allowance. You can pick and choose selections that sound best for you or treat the fund selections as a full portfolio plan.

Don't worry if you haven't got the full £20,000 going spare, we doubt many readers would have, but invest what you can now and then keep investing as time goes on. After all, you get another £20,000 allowance for your ISA on 6 April, and hopefully the same or more each year in the future.

FIVE DIFFERENT TYPES OF ISA

There are five main types of ISA, all protecting your investments from the taxman – there is no tax to pay on capital gains or dividends. We haven't covered the Help To Buy ISA in the list below as new accounts can no longer be opened.

You can hold different ISAs at the same time and switch between them, but you cannot invest more than £20,000 in a tax year across all types of ISAs. Some of the ISA types have specific limits, which we discuss below.

It's also worth noting that unused ISA allowances cannot be rolled over into a new tax year.

Cash ISA

A Cash ISA is suitable for people with a low-risk appetite or those with an investment horizon under three years. You can deposit up to £20,000 each tax year.

You need to be over 16 years of age to open a Cash ISA. Savings up to £85,000 are protected by the Government under the Financial Services Compensation Scheme.

Stock and Shares ISA

A Stocks and Shares ISA can be opened by anyone over the age of 18 and there is a £20,000 maximum contribution limit each tax year. Investing money is higher risk than saving in cash because markets can go down as well as up.

You can hold shares, funds, investment trusts, exchange-traded funds and bonds in Stocks and Shares ISAs.

Investing via funds, investment trusts and ETFs reduces risk because they generally provide diversified portfolios, rather than betting all your money on a single company. Investing in individual stocks carries higher risk and requires some investment knowledge.

Junior ISA

Junior ISAs are for children aged 17 or less with an annual contribution limit of £9,000. A guardian will need to open the account for a child under the age of 16.

Lifetime ISA

The Lifetime ISA is primarily intended to help first-time buyers accumulate a deposit for a house purchase, but it can also be used for long-term savings.

Anyone aged 18 to 39 can open an account and pay in up to £4,000 each tax year. The Government will pay a bonus worth 25% of each contribution, so a maximum of £1,000 a year. The bonus is paid until the account holder reaches age 50, at that same point they will no longer be able to make contributions into the account.

If you're not buying a first home and are not terminally ill then taking out the money before age 60 will incur a 20% charge, rising to 25% from 6 April 2021. The maximum value for a house purchase using a Lifetime ISA is £450,000.

Innovative Finance ISA

This is designed to hold peer-to-peer investments, such as when you loan money to someone via a P2P platform in exchange for regular interest and your capital back after a fixed term.

The key risk is that borrowers might not be able to pay the interest or return the capital to you.

A maximum of £20,000 can be put in an Innovative Finance ISA each tax year.

SIX FUNDS FOR YOUR ISA

If you're new to investing, only have limited experience or want to put your money somewhere that doesn't need constant monitoring, then funds can be a better route than individual shares.

You get the benefits of diversification. For example, if you only invested in a couple of shares and one of these companies issues bad news then your portfolio value could take a big hit. But if you owned funds, any bad news from one company in a fund would be cushioned by all the other companies in the portfolio, so the damage is a lot less to you.

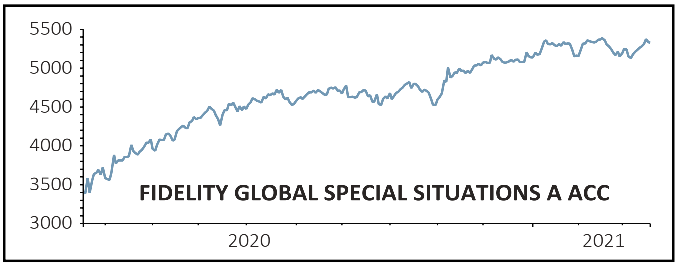
Our six fund ideas all have a global focus to ensure the broadest diversification as well as capturing faster growth opportunities.

The selection covers fund ideas in large cap, small cap, income, bonds, sustainable investing and real assets offering inflation protection.

GLOBAL LARGE CAP:

Fidelity Global Special Situations Fund (B8HT715)

BUY



The £3 billion fund is managed by Jeremy Podger and co-manager Jamie Harvey and seeks to outperform the MSCI AC World index across a variety of market conditions through investing in a well-balanced large cap portfolio.

The fund adopts a 'bottom-up' stocking picking approach and looks to identify three different types of investment opportunity – corporate change, exceptional value and unique businesses.

The fund has an excellent long-term track record, outperforming its benchmark and peers over the last five and 10 years, delivering annualised returns of 16% and 12.5% respectively. The benchmark achieved 14.2% and 11.3% annualised returns in comparison.

Just over half of the portfolio is invested in the US market with 23.5% in Europe, 8.7% in Japan, 6.7% in developed Asia and 5.7% in the UK.

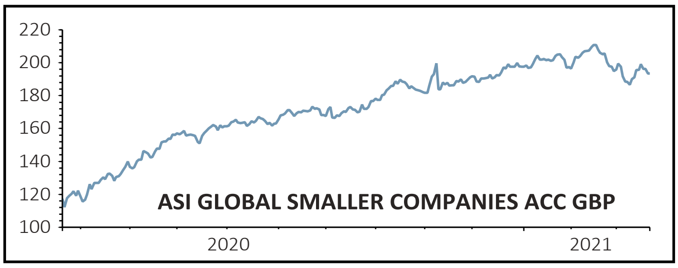
The largest holdings include Apple, Microsoft, Google's owner Alphabet, Amazon and Charter Communications.

The fund holds stakes in just over a 100 names and yields 0.67%. The annual ongoing charge is 0.92%.

GLOBAL SMALL CAP:

ASI Global Smaller Companies Fund (B777SP3)

BUY



The £1.4 billion fund is managed by Harry Nimmo and Kirsty Desson. The pair are supported by a team of analysts and the investment process utilises the firm's proprietary screening tool which shrinks the global small cap universe to a more manageable level, matching their specified criteria and then further fundamental research is undertaken.

The fund has outperformed the MSCI ACWI small cap index over the last three and five years delivering annualised returns of 14.3% and 18.8% respectively against 7.6% and 13.6% for the benchmark.

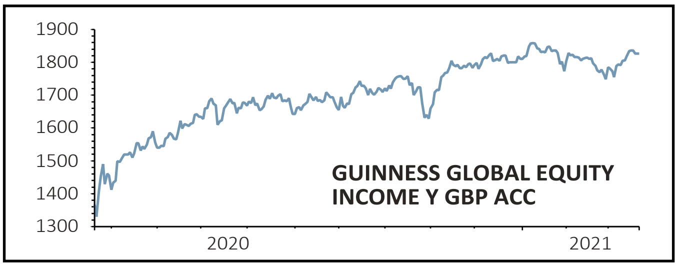
The US region represents 49% of the portfolio with Europe at 19%, Japan 11%, UK 7.7% and developed Asia at 7.6%. The largest holding is Israeli-based industrial digital printing company for the textiles and apparel industries, Kornit Digital.

Student learning platform company Chegg and power generation equipment company Generac also feature in the top holdings. The fund has an ongoing charge of 0.95% a year.

GLOBAL INCOME:

Guinness Global Equity Income Fund (BVYPNY2)

BUY



The £1.3 billion fund is managed by Ian Mortimer and Matthew Page and differentiates its investment process by focusing on profitable companies that have generated persistently high returns on capital over the last decade.

The fund is managed for income and capital growth and invests in companies that are well placed to be able to pay a sustainable dividend into the future. Dividends are paid twice a year and the last 12 month's yield is 2.7%.

The fund has outperformed the Investment Association Global Equity Income sector over the last three and last five years delivering annualised returns of 8.6% and 11.2% respectively compared with 5.7% and 9.3% for the benchmark.

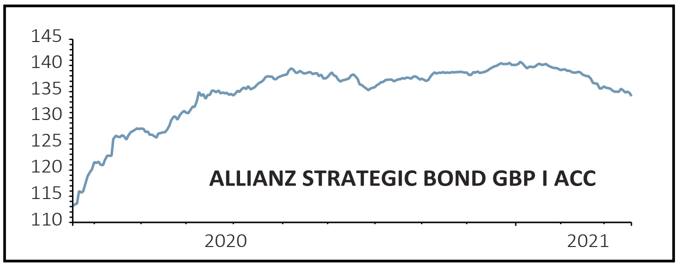
The US represents 57% of the portfolio with Europe at 10.3%, Japan at 8.2%, UK at 7.1% and developed Asia at 2.7%.

Around 46% of the fund is invested in defensive sectors with the largest being healthcare at 20.7% and consumer defensives at 18.5%. Only 23% of the fund is invested in cyclically sensitive sectors where dividend cover is less robust. The ongoing annual fee is 0.84%.

GLOBAL BONDS:

Allianz Strategic Bond (BYT2QW8)

BUY



The £2.9 billion fund is managed by Mike Riddell and Kacper Brzezniak and seeks to outperform the Bloomberg Barclays Global Aggregate Hedged index through a flexible investment approach.

The significant resources of Allianz Global Investors are available to support the portfolio managers with all aspects of the bond market.

The managers utilise a combination of top-down macroeconomic and bottom-up stock selection analysis to manage the fund. They differentiate their approach by ensuring that the fund provides protection against falling equity markets.

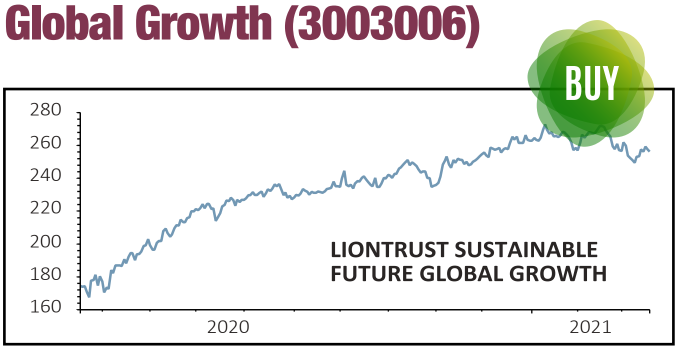
The track record of the fund is excellent having delivered a three-year annualised return of 13.4% compared with 3.3% for the benchmark.

The portfolio is underweight riskier corporate bonds with only a 4.5% weighting compared with 58% for the benchmark while it is overweight in government bonds.

The fund pays a dividend twice a year and the trailing 12-month yield is 3.2%. The annual ongoing charge is 0.42%.

GLOBAL SUSTAINABLE INVESTING:

Liontrust Sustainable Future Global Growth (3003006)



The £1.1 billion fund is managed by Simon Clements, Peter Michaelis and Chris Foster and aims to deliver long term capital growth by investing in global companies that are driving sustainable growth trends.

The team run the fund on a thematic basis utilising a four-stage process which companies must pass to be considered as an investment candidate. A proprietary sustainability matrix has been developed to rank companies.

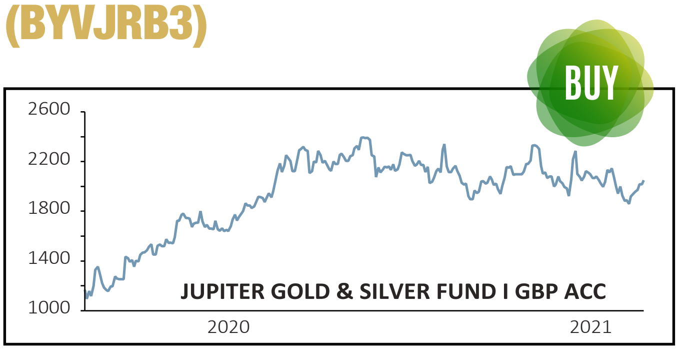
The track record is good with the fund delivering five and 10-year annualised returns of 18.9% and 14% respectively, versus 18.3% and 13.9% from the benchmark.

The portfolio is predominantly invested in large cap names with 61% invested in the US, 16.6% in Europe, 6.2% in the UK and 5.9% in Japan.

Top holdings include Alphabet, scientific instruments company Thermo Fisher Scientific and trading platform Charles Schwab. The fund has an ongoing charge of 0.88% a year.

REAL ASSETS:

Jupiter Gold and Silver Fund (BYVJRB3)



The £800 million fund is managed by Ned Naylor-Leyland who has nearly two decades of precious metals investing.

The fund seeks to achieve a total return greater than a composite benchmark comprising 50% of the gold price and 50% of the FTSE Gold Mines index with net dividends reinvested over rolling three-year periods.

The strategy is to build a portfolio of gold and silver-listed funds and gold and silver equities and rotate weightings between them according to the team's view of market conditions.

The portfolio has delivered five and three-year annualised returns of 13.5% and 17.2% respectively, versus the benchmark's 12.8% and 19.5% return.

In terms of geographic spread, the portfolio is 61.8% exposed to Canada and 20.6% to Australia, while the UK represents 4%.

Top holdings include First Majestic Silver which has gold and silver mining assets in Mexico and Sprott Physical Gold Trust which invests in physical gold. The fund has an ongoing charge of 0.87% a year.

FOUR STOCKS FOR YOUR ISA

When we researched our stock ideas for this article, we deliberately ignored some of the popular names this year, such as US games retailer GameStop, UK bitcoin firm **Argo Blockchain (ARB)** or the emerging options in cannabis.

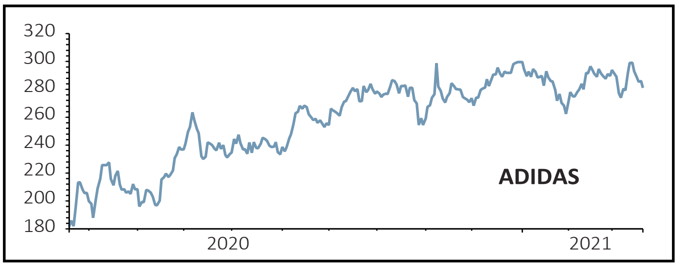
Many of these so-called meme stocks have still to demonstrate that they have business models capable of producing sustainable cash flows and long-term profits for shareholders.

We have restricted our search to companies with a proven track record of earnings growth and quality, bullet-proof balance sheets and plenty of free cash flow that can be paid out to investors or ploughed back into the business for superior returns.

Adidas (ADS:XETRA)

€286.60

BUY



Investors seeking a compelling reopening play should buy shares in German sportswear maker **Adidas (ADS:XETRA)**. It should benefit as vaccinated consumers flock back to sports stadia and events trigger sports-related purchases, hopefully starting with football's delayed European Championships and the postponed Olympics.

Adidas has now reopened 95% of its stores following lockdowns and forecasts mid-to-high teens sales growth for 2021.

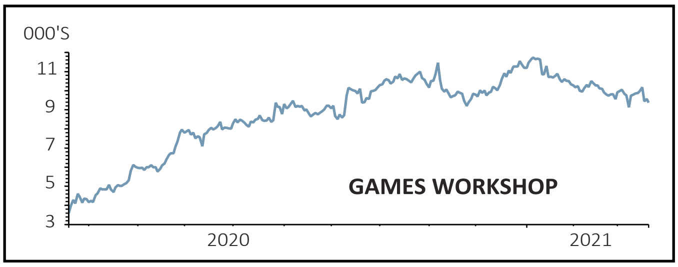
Chief executive Kasper Rorsted aims to double Adidas' e-commerce sales by 2025 while making products more sustainable under a plan to raise profitability closer to Nike.

An additional upside catalyst for Adidas is the planned sale or spin-off of underperforming brand Reebok, and Adidas has also teamed up with Peloton to create a co-branded athletic apparel and lifestyle gear collection which incrementally boost revenue growth.

Games Workshop (GAW)

£94.30

BUY



Shares in fantasy miniatures manufacturer **Games Workshop (GAW)** have dropped by 18% since the start of the year as investors have ditched growth shares in favour of cyclical value.

Also dragging on the shares has been disruption to distribution channels and a well flagged slower product release programme through January and February.

We believe this price weakness represents a great buying opportunity for investors with a long-term investment horizon.

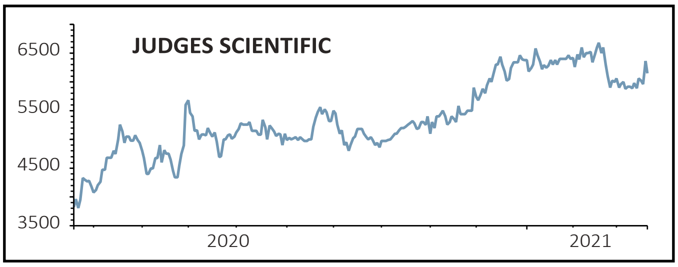
The underlying factors which drove an 80% increase in consensus earnings estimates over the last few months haven't faded.

According to investment bank Jefferies, indicators such as site traffic, YouTube subscribers and search frequency have remained robust despite the spikes seen in the summer.

Games Workshop is a unique asset achieving high returns on capital which are protected by sustainable barriers to entry and better than average growth opportunities.

Judges Scientific (JDG:AIM) £61.20

BUY



The science equipment maker is a favourite of many retail investors, and it has rewarded them handsomely with an average yearly total return (share price gains plus dividends reinvested) of nearly 30% over five years, according to SharePad.

It has an almost identical record over the past decade, showing superior performance again and again.

Judges runs a portfolio of niche science-based businesses spanning nanotechnology, fibre optic testing, advanced materials, LED design and x-ray technology.

It is exposed to many of the major themes attractive to fund managers, such as smart materials, faster and more flexible communications and technology in healthcare.

'Judges remains strongly positioned,' said Shore Cap analysts in January, talking up opportunities arising through this year and beyond. Such a great growth track record underlines our view that the stock will continue to reward investors.

Vistry (VTY) £10.42

BUY

Housebuilder **Vistry's (VTY)** acquisition of housebuilding and regeneration assets from **Galliford Try (GFRD)** in early 2020 may have been ill-timed in that it elevated borrowings ahead of the pandemic.

However, longer term we think this deal will benefit the business and there are signs that's already happening. The regeneration or 'Partnerships' business is higher margin than other activities in Vistry and this was reflected in a very positive contribution to the group in the second half of 2020.

Recent measures announced in the Budget around increased availability of 95% mortgages and stamp duty holiday extension should help underpin demand. Canaccord Genuity analyst Aynsley Lammin says: 'Vistry is in good shape to enjoy good growth as well as pay attractive dividends over the coming years.'

This potential looks attractively priced with a dividend yield of 4.8% and price to book ratio of 1.4 based on Canaccord's 2021 forecasts. Housebuilders tend to trade at 1 times price to book value in bad times and at 2 times in boom periods.

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RIVER AND MERCANTILE

UK POISED FOR POST BREXIT AND COVID ECONOMIC GROWTH

***Hugh Sergeant**, Head of Value and Recovery at River and Mercantile explains why he believes investing in UK equities now is the right thing to do.*

THERE ARE MANY reasons to look positively at the prospects for UK equities. The efficient roll out of the vaccines has provided a clear catalyst for improved UK confidence, boosted by the UK Government's commitment to increase infrastructure spending and support for regional development and the green economy. This expenditure should be augmented by consumers spending their enforced savings. Various positive post-Brexit opportunities also auger well, including accelerated development of trade agreements, areas where regulations can be positively rolled back, and a reawakening of private investment that has been on hold since the Referendum. All this bodes well for GDP growth. And finally, the reflationary global environment, combined with a faster level of near-term growth in the domestic economy, should have a more positive knock-on effect on UK corporate profitability than other regions. Combining all this with a coherent and well-executed strategy, it looks good for UK equity performance which could start delivering better returns than the recent past.

COMING FROM A DARK, UNPOPULAR PLACE

We believe that UK equities are good value at the moment as, compared both to other regional markets and to historical prices, shares are very reasonably priced relative to profits or asset values. It has also been very unfashionable to own UK equities, with global fund managers shunning them for other stock markets. However, recent surveys show that globally, more managers are allocating their clients' money to UK funds.

It is important to note that there are still expensive stocks within the UK, which we believe to be overvalued. It will be key to choose the right stocks to invest in as the UK economy starts to recover by choosing a trusted and experienced investment manager using a disciplined process to seek the most undervalued opportunities.

The ES R&M UK Recovery Fund enables investors to have targeted exposure to those companies that R&M believe to have particularly strong potential to create value, following a period of depressed profits that could enable significant recovery. To find out more, visit here.

How to pick a renewable energy fund

Here's the important information to consider before choosing a fund or trust

Renewable energy funds and investment trusts have rapidly gained in popularity in the last few years as investors look to do good with their money while also making a return on their investment.

But it's important to note that for all the talk about the growth in renewable energy and the 'opportunities' available in the sector, the share price returns from trusts and funds with generating assets in areas like wind and solar haven't exactly been stellar.

While they could very well generate capital growth in future, investors looking at this sector should see these trusts as reliable income payers with stable dividends rather than investments that will meaningfully grow your money.

SOLID NOT SPECTACULAR

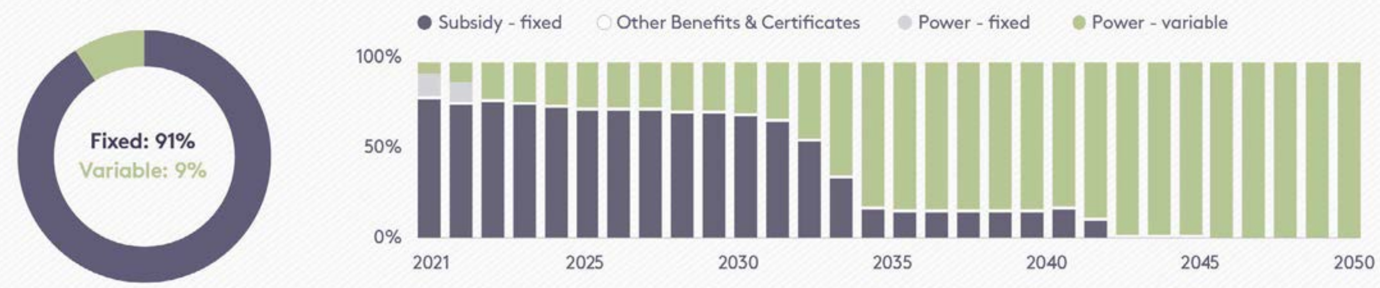
For example, popular FTSE 250 trusts like **Foresight Solar (FSFL)** and **Greencoat UK Wind (UKW)** are good dividend payers, with yields of 4.5% and 5% respectively, but their three-year annualised share price returns of 6.2% and 6.8% can be categorised as 'solid' rather than spectacular.

When picking a renewable trust, one important aspect to consider is power prices. All the UK-listed renewable energy trusts have a substantial part of their revenues backed by subsidies and long-term agreements to sell the electricity they generate at a fixed price. However, they also have a smaller but not insignificant exposure to the wholesale market price for electricity.

As an example of how this can affect the renewable trusts, in its 2019 results **The Renewables Infrastructure Group (TRIG)** wrote down its net asset value (NAV) by £101.3 million, as a result of lower near-term gas prices and an acceleration of

Octopus Renewables Infrastructure Trust: revenue breakdown as at 31 December 2020

Over the next two years, 91% of forecast revenues[1] are fixed price in nature



- Proportion of fixed revenues over the next two years has increased from 64% at 30 June 2020 to 91%[1]
- Substantial levels of fixed-price revenues for the next 15 years, arising from government-backed subsidies in the UK and France; with the acquisition of the Cerisou wind farm the Company now has fixed revenues extending into the 2040s
- Fixed the pricing for power revenues on the UK solar sites until March 2022 (1 site) or September 2022 (7 sites)

Notes: [1] Refers to revenues received by Portfolio Assets at the SPV level

Source: Octopus Renewables Infrastructure Trust

new renewable energy projects being built.

PRICING CONTROVERSY

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

Analysts at JP Morgan caused a stir last year when they downgraded the renewable trust sector on the basis that the growth in renewable energy will put downward pressure on power prices and ultimately mean trusts in the sector 'cannibalise' themselves and become victims of their own success as the more supply they add to the grid means the less money they will get for the power that they generate.

But the managers of **Octopus Renewables Infrastructure Trust (ORIT)** unsurprisingly see it differently, pointing out that supply and demand factors will naturally prevent this happening. After all, as the managers of many of these trusts have argued, developers clearly won't build assets if they're not going to be economically viable.

Like most renewable energy trusts, the ORIT managers are keen to highlight that 90% of their revenues are fixed through subsidies and power purchase agreements, but investment director David Bird thinks it's 'not impossible' for power prices to actually go higher.

He says: 'It's certainly not our central forecast, but if electricity becomes the fuel for our transport and we see more industrial demand, all these things will increase power demand.'

'INVESTMENT TRUST IN NAME ONLY'

James Smith, co-manager of **Premier Miton Global Renewables (PMGR)**, believes it's important for investors to view the majority of renewable trusts which generate electricity as developers and asset owners, rather than investment companies.

He says: 'They're investment trusts in name only.'

Smith is nonetheless optimistic on these trusts with power prices having now stabilised after falling heavily during the first lockdown, something which is still yet to be reflected in the trusts' net asset values, with the current rising oil price and carbon price factors which could push electricity prices higher in the short-term.

INFLATION A POTENTIAL TAILWIND

Given their status as bond proxies, he also thinks a higher inflationary environment in 2021 could be a tailwind, and for investors looking to get exposure to the sector he suggests the following: 'Buy a selection of them – a UK one, a broad one with a diversified portfolio, one or two more specific ones like wind or solar, and perhaps throw in a utility like **SSE (SSE)** which has a lot of renewables generation. That way you'll get good exposure.'

MOST TRUSTS TRADE AT A PREMIUM TO NAV

Investment trust	Premium/ Discount to NAV
Octopus Renewables Infrastructure Trust	16.7%
JLEN Environmental Assets	16.3%
Greencoat Renewables	15.6%
Gresham House Energy Storage	15.1%
Bluefield Solar Income	14.7%
SDCL Energy Efficiency Income	11.3%
Foresight Solar	9.5%
Aquila European Renewables Income	9.4%
The Renewables Infrastructure Group	8.8%
Gore Street Energy Storage	7.6%
US Solar Fund	7.3%
Greencoat UK Wind	4.8%
Ecofin US Renewables Infrastructure	4.6%
Triple Point Energy Efficiency Infrastructure	4.6%
VH Global Sustainable Energy Opportunities	3.7%
NextEnergy Solar	-0.9%
Downing Renewables & Infrastructure	-2.6%

Source: AIC data taken 19 March 2021

TWO TRUSTS TO BUY

PREMIER MITON GLOBAL RENEWABLES TRUST (PMGR) 152.5p

On the face of it, Premier Miton Global Renewables has had stellar performance over one year having returned 78%. This is down to a bounce-back from the Covid-based sell-off more than anything else, but the trust is still good a option for someone wanting to capture growth in the sector.

Investing in energy funds and companies rather than physical assets, it offers a 5.7% dividend yield, and has outperformed most renewables trusts with a three-year annualised return of 17.3%. It has a reasonable annual charge of 0.75% a year.

GORE STREET ENERGY STORAGE (GSF) 106p

One area where there could be meaningful growth is energy storage, as the potentially exponential growth in renewable energy inevitably leads to significantly more volatility in the power supply when the sun doesn't shine or the wind doesn't blow, increasing the need for infrastructure to store excess energy until its needed.

A good option in this space it **Gore Street Energy Storage (GSF)**, which offers a 6.7% dividend yield and has shown good potential for growth having added 4.5% to its NAV in the last quarter of 2020.

There could also be further upside to comes with analysts highlighting that Gore has also won three contracts yet to be reflected in its NAV, while also not included in the NAV is news that its Porterstown project in Ireland has secured grid connection rights to treble capacity.

By **Yoosof Farah**
Reporter

Why emerging market financials are different

With large unbanked populations there is more scope for growth

In the developed world the banking and wider financial industry is very mature with limited avenues for rapid growth and the focus from an investment perspective is typically on the income they pay out – subject to regulators' approval.

Financial stocks in emerging markets are, on the whole, quite different. While technology firms have increased in importance in recent years, financial stocks remain a key component of the emerging markets story with the MSCI Emerging Markets index having a 17.5% weighting to this sector.

In contrast the MSCI World developed markets index has a weighting of 13.6% to the financial sector.

According to a 2017 report from the World Bank about 1.7 billion adults globally and 58% of people in developing nations remained 'unbanked' – although there is considerable diversity across different geographic regions.

Capturing these customers should allow emerging market financial firms to grow more rapidly than their counterparts in the West. It explains why **Prudential (PRU)** has pivoted away from markets in Europe and the US to focus more on Asia.

Financials have a big weighting in emerging markets

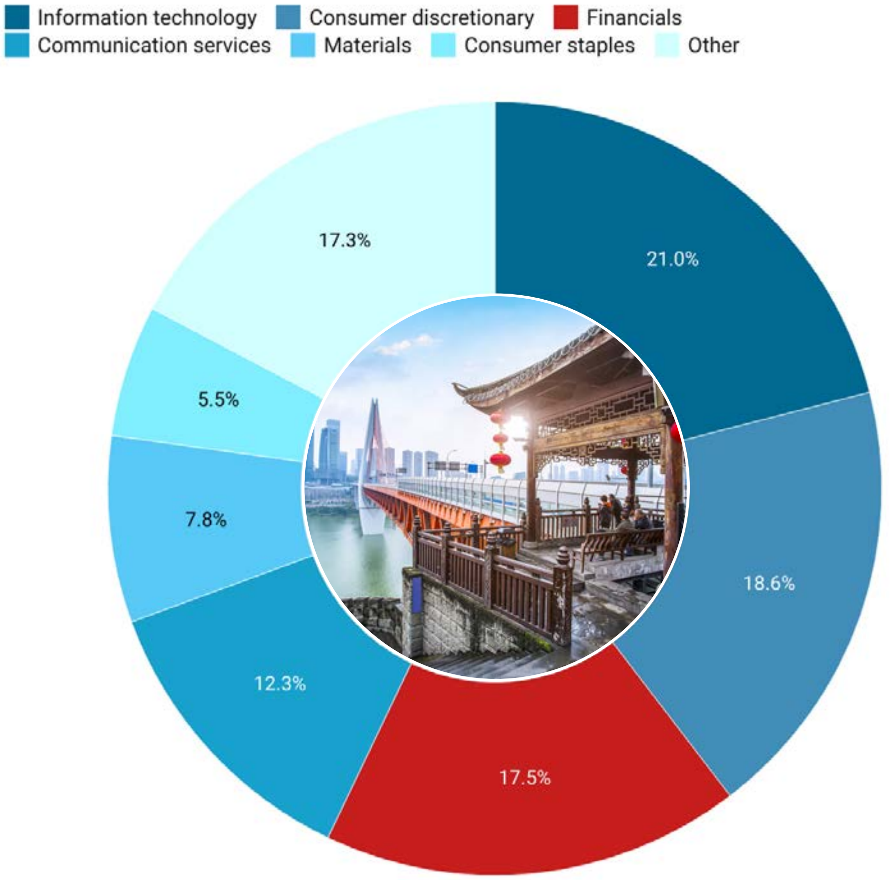


Chart: Shares Magazine • Source: MSCI, data as at 26 February 2021. • Created with Datawrapper

The question of how these unbanked customers are reached is an interesting one with financial technology and mobile payments, in particular, likely to play an increasing role.

The same 2017 World Bank report commented: 'The benefits from financial inclusion can be wide ranging. For example, studies have shown that mobile money services — which allow users to store and transfer funds through a mobile phone — can help improve people's income earning potential and thus reduce poverty.'

Emerging markets: Views from the experts

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

1. The strength of China's economic recovery is unparalleled, in our view. The skill and speed with which authorities dealt with the Covid-19 pandemic resulted in a V-shaped recovery that we believe bodes well for continued strength in the year ahead. Chinese economic policy will likely focus on normalization throughout 2021, using monetary, fiscal or regulatory levers. We also believe that the depth and breadth of the investment opportunities the **Chinese equity market** offers have grown exponentially. Digitalisation, adoption of technology and further consolidation across certain industries should all feed into the long-term opportunities that we have long been watching unfold in China.

2. **India's Union Budget** was primarily focused on infrastructure and manufacturing to attract capital and augment sustainable long-term growth. An emphasis on infrastructure development should benefit the construction, infrastructure and cement sectors, while plans to increase the foreign direct investment limits in insurance companies bodes well for that sector. A revival of gross domestic product (GDP) growth, combined with the push on infrastructure and industrial growth, as well as a benign interest-rate environment, could support loan growth, which could benefit banks with sizeable corporate lending activity. We see corporate earnings on an uptrend and expect earnings normalization, following the pandemic-related downturn. However, we remain mindful of the risks, including the ongoing pandemic, regional and global geopolitical relations.

3. As we begin to trend toward economic normalization in 2021, a pivot in investor focus toward the importance of company fundamentals has raised expectations that value stocks may make a comeback. One key area that lagged in 2020 on asset quality and non-performing loan concerns as well as falling interest rates, and that could benefit from greater investor interest in 2021, is **financials**. We believe that financials remain a key area of secular growth given the low levels of credit penetration across the asset class and continue to focus on dominant, well-managed incumbent banks with strong capitalization levels and robust deposit franchises. While the market was swift in discounting earnings in 2020, our belief that the risk of systemic banking crises was low in the majority of emerging markets given reasonably strong capitalization, regulatory oversight and current policy support, and less credit expansion as compared to developed markets led us maintain a positive view on the sector. Financials are also trading at attractive valuations versus the wider emerging markets asset class.

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.

Invesco

ASIAN OPPORTUNITIES IN CHALLENGING TIMES

Ian Hargreaves
Co-Head Asian and Emerging Markets Equities
Invesco

Asian equity markets have enjoyed a v-shaped recovery since their March 2020 lows, but recent market strength suggest markets are up with the events. Looking forward, Ian Hargreaves believes this offers scope to drive outperformance by capitalising on valuation differences within different areas of the market.

2020 was a challenging year for Asian equity markets. The Covid-19 pandemic saw widespread lockdowns and a contraction in global economic activity. However, Asia fared relatively well compared to other regions, given their lower infection rates, fewer deaths and less economic damage. However there has been a divergence in performance between sectors, with internet and technology companies faring better than financials, energy and travel-related companies.

Markets have recovered since last March, with positive news on vaccines triggering a improvement in sentiment towards the worst hit Covid-sensitive service sectors. Markets appear up with events, and it is possible that we have seen of the rebound at the market level. But we believe there are still opportunities to buy shares in businesses for less than they are worth, and that this remains the most sustainable way to make money for shareholders.

We have found opportunities in economically-sensitive businesses that have scope for earnings to recover quickly as economic conditions normalise. We have been able to find what we consider to be deep discounts to fair value in these areas, supported by the strong balance sheets that some of these companies have. However, we feel it is right to have a balanced Invesco Asia Trust at present, and our portfolio continues to have significant exposure to tech and internet names given their strong fundamentals and attractive growth prospects.

Invesco

Opportunities among economically-sensitive stocks

We are most interested in Covid-sensitive industrials where the pandemic is unlikely to have changed fundamentals, but where earnings can recover quicker than the market expects as conditions normalise. For example, Astra International in Indonesia has interests in a range of market leading auto-related businesses, including: 4-wheeler manufacturing for Toyota; 2-wheeler manufacturing for Honda; auto dealerships and auto financing. With slower growth in recent years, the shares have suffered even further given Covid-related demand uncertainty. While the fundamentals of the Indonesian economy are weak in the near-term, we believe that auto demand should eventually grow as GDP per capita rises.

Attractive businesses in India

India has had the worst pandemic experience in Asia in terms of impact on its population's health and the sharp economic shock felt as a result of an unsuccessful lockdown strategy. The Indian government abandoned this strategy and focus attention on support for the economy, which appears to be working.

We believe this country offers one of the best structural growth stories in Asia. Firstly, it is supported by the reform momentum which we expect will bear fruit within the medium term. Secondly, debt levels are low , providing scope for credit growth and business expansion, particularly as the banks have been strengthening their balance sheets for several years. increasing their capacity to lend.

We added exposure to Indian private banks in Q3 2020, which are still taking market share from the dominant, less well-run state-owned banks. We are also comfortable owning other economically sensitive stocks given the large structural growth opportunities. We've seen some well-managed companies suffer from the lack of economic activity, allowing us to take positions at historically attractive valuations.

Capitalising on the new tech cycle and trends in consumer behaviour

A number of technology and internet companies are likely to emerge from this period stronger, particularly those that continue to innovate. Chinese internet companies have benefited from an acceleration in the trend towards online shopping, social connectivity and gaming. The rollout of 5G and the growth of artificial intelligence and the 'internet of things' have only been temporarily interrupted by the pandemic, while working from home has increased demand for PC-related equipment and cloud capacity.

US-China relations

While we expect US policy under Joe Biden to be handled more diplomatically, it is prudent to assume that Biden will be slow to roll back the Trump administration's measures targeting trade, technology or financial markets. While we need to consider the impact of trends such as de-globalisation, we are also aware that there is likely to be a greater level of government investment in technology development by both countries and a desire for self-sufficiency. While this may create uncertainty within supply chains, we believe that innovative companies stand to benefit.

Outlook

The global economy is getting back to normal, and in the near-term, supportive economic policies should provide a tailwind to economic activity. However, once normality has returned, governments in developed markets will be forced to charter a course back to policy orthodoxy, in our view. This is likely to be a riskier point for markets.

Most Asian countries went into the Covid-19 crisis with relatively low levels of government debt, enabling them to loosen taxation and increase spending. Also, economic growth in China is recovering without the authorities having to rely on the same level of policy support taking place in developed economies.

While the market currently has policy and vaccine tailwinds, we feel it important not to exaggerate the likely positive impact of economic normalisation. Markets have done very well since last March, but valuation levels still compare favourably relative to developed markets. Given the divergence in performance and valuation between sectors and countries, opportunities are still available.

Finally, despite the challenging times, Asia remains the biggest driver of global growth, with solid economic and corporate fundamentals. We continue to be impressed by the capital discipline being displayed by companies, with strong balance sheets and improving free cash flow generation. The challenge has been how to better allocate that capital, with management facing pressure from minority shareholders to pay better dividends. While valuations and positive surprises in earnings are less likely to drive equity returns in the near term, there is an increasingly good dividend growth story in Asia.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

The Invesco Asia Trust plc invests in emerging and developing markets, where difficulties in relation to market liquidity, dealing, settlement and custody problems could arise. The product uses derivatives for efficient portfolio management which may result in increased volatility in the NAV. The use of borrowings may increase the volatility of the NAV and may reduce returns when asset values fall.

As a result of COVID-19, markets have seen a noticeable increase in volatility as well as, in some cases, lower liquidity levels; this may continue and may increase these risks in the future. In addition, some companies are suspending, lowering or postponing their dividend payments, which may affect the income received by the product during this period and in the future.

When making an investment in an investment trust you are buying shares in a company that is listed on a stock exchange. The price of the shares will be determined by supply and demand. Consequently, the share price of an investment trust may be higher or lower than the underlying net asset value of the investments in its portfolio and there can be no certainty that there will be liquidity in the shares.

Important information

All data is as at 31.12.2020 and sourced from Invesco unless otherwise stated.

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High street retailers best placed to thrive post-lockdown

Shares selects the potential winners as shoppers prepare to spend their lockdown savings

According to the Government's latest 'roadmap', non-essential stores in England can reopen from 12 April. This includes clothes shops, book shops, department stores (remember those?), mobile phone shops, betting shops, car dealerships and shops such as florists and hairdressers.

Face masks and social distancing will still be necessary, but for a good proportion of the population the chance to get out of the house and get back to something which resembles normality can't come too soon. The question for retailers is, will spending habits get back to normal?

As Mark Brumby of Langton Capital puts it: 'There has been a debate as to whether consumers are a "coiled spring" waiting to spend, or whether much of the money 'saved' during the pandemic hasn't gone into the pockets of the middle and upper middle classes, where it might be saved or spent on a holiday in Tuscany.'

It's hard to know to what extent we will embrace being able to go shopping for non-essentials again. Will there be the 'coiled spring' effect, or could the prospect of jostling along crowded pavements and through packed shopping malls put us off, at least to start with?

Despite all the advantages of shopping online, one major drawback is, no matter how good the picture, you can't actually *see* what a product looks like up close nor can you feel it in your hands.

HIGH STREET HOPEFULS

As long as there is added utility in actually going to the shops, then those shops should be ok. Primark, part of **Associated British Foods (ABF)**, doesn't sell online at all, so its stores – which have been closed for most of the last year – are likely to be rammed with shoppers desperate to stock up on cheap clothes the minute they open.

High-street institution **Marks & Spencer (MKS)** has been open for food but closed for clothing and homewares, so the escalators are likely to be busy as soon as the top floor opens in most towns and cities.

The demise of Debenhams and Top Shop this year means

PEAK-TO-TROUGH CHANGE IN CONSUMPTION OF GOODS

Country	Great financial crisis	Covid
France	-2%	-12%
Germany	-2%	-6%
UK	-4%	-14%
US	-7%	-3%

Source: BEA, Eurostat, NBS, Oxford Economics, McKinsey Global Institute, Shares.
Note: GFC = 2007-09, Covid = 2020

less choice for shoppers so for the survivors this is the opportunity to pick up market share.

Arts, crafts and book-seller **The Works (WRKS)** should be another beneficiary of the reopening thanks to the appeal of its stores and its prices, which are significantly lower than high street rival **WH Smith (SMWH)**.

RETAIL PARKS MORE MIXED

We suspect that firms like Currys PC World, part of **Dixons Carphone (DC.)**, which has operated without a hitch during the pandemic, probably won't see a big increase in footfall as most of us are now fairly comfortable ordering tech and toasters online.

B&M European Value (BME) is another big lockdown winner, having been physically open throughout which meant its footfall increased dramatically. We wonder whether post-lockdown it is likely to be a 'must-go' venue for most shoppers.

NEXT AND MARKS & SPENCER

Sector stalwarts **Next (NXT)** and Marks & Spencer will be relieved to see non-essential retail reopen, with both likely to prove beneficiaries of high street capacity withdrawal.

Hard-pressed Marks & Spencer should benefit as mature, vaccinated shoppers return to its brick and mortar outlets to browse for clothing and homewares. Bossed by chief executive Steve Rowe and chairman Archie Norman, Marks & Spencer is materially into a major change programme that includes reducing retail selling space. Interestingly, it also replicating rival Next by forging clothing partnerships with third party brands to turbocharge growth through its online platform.

Lord Wolfson-led Next has indeed lost brick and mortar sales due to Covid restrictions, though the UK's number one online clothing retailer cushioned the blow of the lockdowns by leveraging its best-in-class digital operations and continues to extend its online platform to host smaller brands.

In its most recent move, Next acquired a 25% stake in affordable luxury clothing brand Reiss, with an option to increase its interest to 51%, in a deal that will see Reiss go live on Next's 'Total Platform' in February 2022. The intention is Next's online systems, warehouses, distribution assets and sourcing base will serve as a launch pad for Reiss's UK and overseas growth plans.

One fervent fan is William Meadon, manager of investment trust **JPMorgan Claverhouse (JCH)**, who regards Next as an example of a company which 'continues to stand apart from its competitors. Its online offering is "best in class" in terms of efficiency and customer interface and, in our opinion, its management team is without peer.'

Meadon continues: 'Incredibly, even in this most brutal of retail storms, Next has continued to generate cash and been one of the few high street retailers to maintain its rent obligations. The goodwill this must have generated with their landlords will surely be rewarded once the high street reopens. All in all, Next looks well placed to benefit from consumers starting to spend some of their lockdown savings.'

GREEN SHOOTS OF RECOVERY FOR CONSUMER CONFIDENCE

Chart: Shares Magazine • Source: GfK Consumer Confidence Barometer, March 2021 • Created with Datawrapper

In contrast, **DFS (DFS)**, which has enjoyed a surge in online sales, should benefit from the reopening as many people still like to 'try before they buy' when it comes to big-ticket items like furniture.

Similarly, homewares and furnishings firm **Dunelm (DNLM)** is likely to see its in-store sales jump as customers take the opportunity to get out and actually handle the products they've so far only been able to covet online.

KEEPING CUSTOMERS

Conventional wisdom is that firms which had to close their stores will have lost customers. In fact, according to a survey by Columbus and Retail Gazette, 70% of firms said they had increased their customer base last year with 40% saying they had 'a broader demographic of people shopping with them'.

The trick now is to retain those new customers who came on board via e-commerce, so loyalty programmes are likely to be big in 2021. Also, direct communication with shoppers – used to great effect by the supermarkets during the pandemic – is seen as a tool for converting customer goodwill into pounds and pennies. Retailers are, in addition, likely to direct more of their marketing to social media.

SHARES' REOPENING PICKS

ASSOCIATED BRITISH FOODS (ABF) £24.19

Lockdowns in the UK and Europe led to lost sales of £1.1 billion in the first half to 27 February 2021 for discount clothing chain Primark, the jewel in the crown of foods-to-fashion conglomerate Associated British Foods and prime beneficiary of the reopening of non-essential stores.

Consumers have been quick to return to Primark shops as lockdown measures are lifted and we're fans of its unique business model centred on a flexible, low-cost supply chain and the continuous release of new products.

THE WORKS (WRKS) 41P

There's a definite niche for The Works, the cut-price books, arts and crafts and toys retailer which can reopen physical stores from next month.

This well-managed retailer's brick and mortar stores performed well when they were allowed to open during the pandemic. Like-for-like sales actually increased by 10.6% over the 19 weeks to 25 October when stores were open, ahead of management's expectations and demonstrating the relevance and appeal of products which enjoyed strong online growth during lockdowns.

DUNELM (DNLM) £13.26

Bedding, curtains and kitchenware retailer Dunelm proved a clear lockdown winner as consumers invested in home projects, with strong online sales helping to offset the impact of store closures. Once non-essential stores reopen, the homewares leader is well-placed to profit from a release in pent-up consumer demand.

A cash-generative retailer with a tight focus on stock and cost control, Dunelm has resumed dividend payments and its combination of high-quality stores and improved digital capabilities leave it well placed to take market share.

By **Ian Conway** and **James Crux**

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[1] As rated by Willis Towers Watson. [2] Willis Towers Watson directly manages $148.6 billion for institutional investors, as at 30 June 2020, and advises them on $3.4 trillion, as at 31 December 2019. [3] MSCI All Country World Index.

The easy way to back online shopping stocks

A new ETF offers access to global online retail winners but comes at a relatively high cost for a passive fund

Investors looking to play the e-commerce theme have a new option available to them thanks to the launch of a specialist exchange-traded fund – **Global Online Retail ETF (IBUY)**.

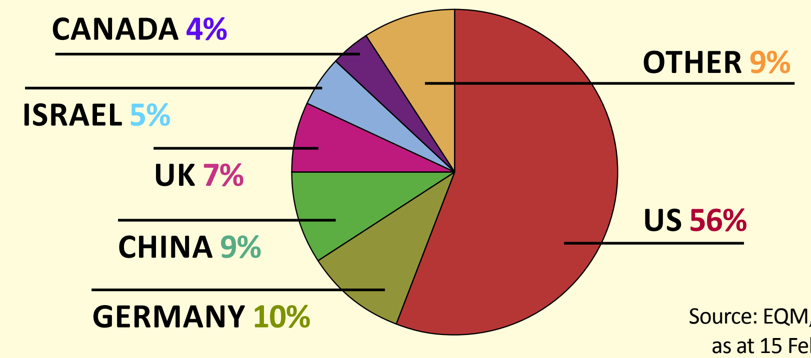
The ETF tracks the EQM Global Online Retail Growth Index and aims to provide exposure to 'the rapidly growing online e-commerce market as competitive pricing, shopping convenience, greater product selection and rapid delivery have made online shopping a disruptive technology that continues to exhibit strong growth characteristics, gain market share, and expand globally'.

It's worth noting that the growth index underlying the ETF has two strict criteria – constituents must make at least 60% of their revenue online, which can include online marketplaces, and they have to meet a certain growth rate in terms of year-on-year sales for a number of quarters.

What this means is that as well as household names such as Amazon.com, **ASOS (ASC:AIM)**, eBay and Netflix, the 47 constituents include a whole slew of lesser-known stocks such as 1-800-Flowers, Fiverr, Overstock.com, Showroomprivé and Verkkokauppa.com.

More than 50% of the index is accounted for by the US.

EQM GLOBAL ONLINE RETAIL GROWTH INDEX – COUNTRY WEIGHTINGS



Source: EQM, Bloomberg, as at 15 February 2021.

It's also worth bearing in mind that while online retail may have had a fantastic 2020 in terms of sales momentum, so far this year in share price terms at least the returns haven't been so good as growth has given way to value in fund managers' allocation decisions.

VOLATILITY AND COST

The EQM Online Retail Growth index was launched on 17 February 2020, and in a month it has fallen nearly 15%, suggesting this may be quite a volatile product.

There is no doubt that e-commerce has come on in leaps and bounds thanks to the pandemic – retailers talk about their businesses going through five years of change in five weeks at the outset – and there is also no doubt that some habits formed by shoppers during lockdown will stick.

However, it's also true that being a successful internet retailer means investing huge amounts in technology, first in order to win customers and then in order to keep them.

By focusing on firms that are growing their sales, the index – and by extension the ETF – should at least avoid owning the stocks which lose out in the scramble for market share.

The index will be weighted by revenue, with a maximum allocation of 25% to emerging markets.

The ETF itself, which is eligible for SIPPs and ISAs, is relatively expensive with an ongoing charge of 0.69%, in part reflecting its greater complexity compared with a product like **iShares Core FTSE 100 (ISF)** which has an ongoing charge of just 0.07%.

By **Ian Conway**
Senior Reporter

RUSS MOULD
AJ Bell Investment Director

Small caps can tell us a lot about the market mood

While this part of the market is currently doing well, loss of momentum could signal trouble ahead

Small cap stocks are perceived to be riskier than their large cap counterparts and with good reason. As such, they can be used to judge wider market risk appetite – if small caps are rolling higher, we are likely to be in a bull market. If they are falling, we could be shifting to a bear market.

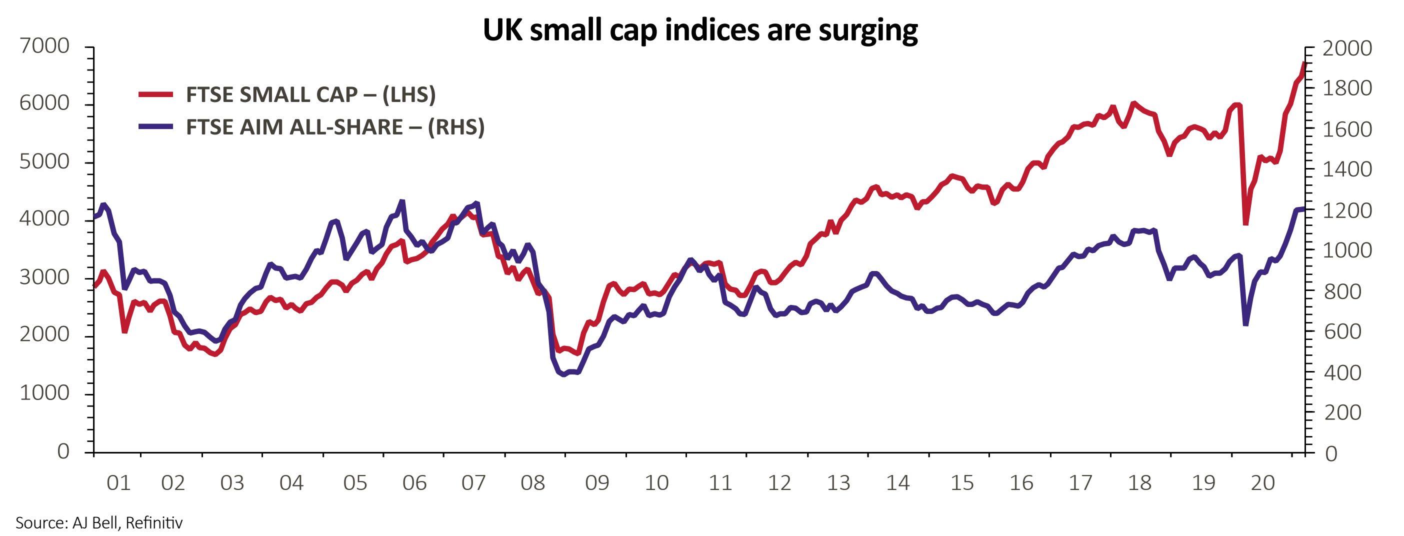
In general, small caps tend to be younger firms that are still developing. They are potentially more dependent upon certain key products or services, a narrower range of clients and even key executives.

Their finances might not be as robust as large caps and they are more exposed to an economic downturn, especially as they are less likely to have a global presence and be more reliant on domestic markets.

The UK's FTSE Small Cap index currently trades at record highs, while the FTSE AIM All-Share stands near 20-year peaks. The latter is still well below its technology-crazed highs of 1999-2000. Equally, they are more geared into any local economic upturn.

America's Russell 2000 index, the main small cap benchmark in the US, is up 16% this year and by 116% over the past 12 months. That beats the Dow Jones Industrials, S&P 500 and NASDAQ Composite hands down on both counts.

In fact, the Russell 2000 now trades near its all-time highs, having gone bananas since last March's low. Such a strong performance suggests that investors are in 'risk-on' mode and pricing in a strong economic recovery for good measure.



Source: AJ Bell, Refinitiv

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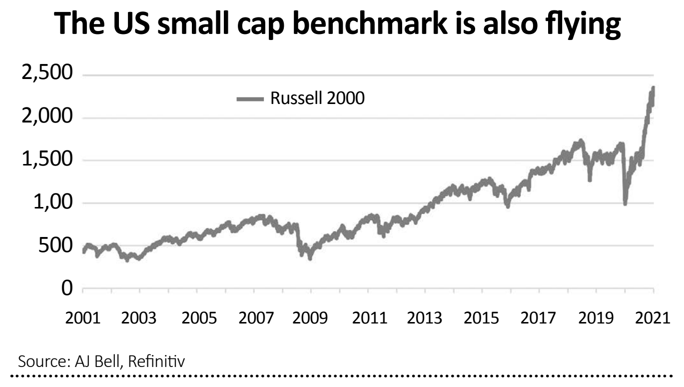
AJ Bell Investment Director



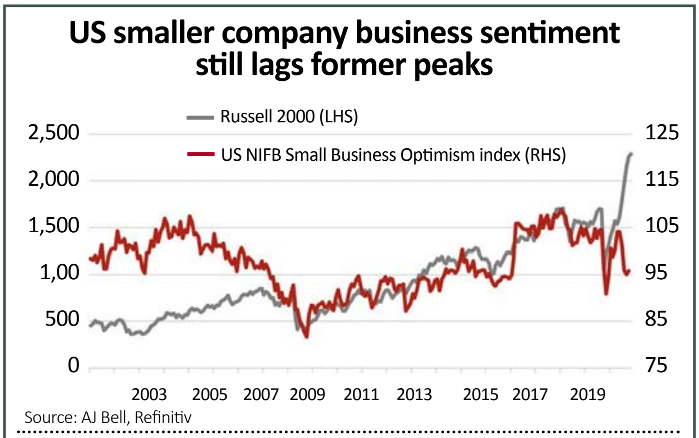
RISING PRICES

One data point which does not sit so easily with the US small cap surge is the slight pullback in America's monthly NFIB smaller businesses sentiment survey, which still stands 12 percentage points below its peak of summer 2018.

This indicator must be watched in case it does not pick up speed as America's vaccination programme continues and lockdowns are eased. Further weakness could suggest the recovery might not be everything markets currently expect.

Equally, inflation-watchers will be intrigued by the NFIB's sub-indices on prices. In particular, the balance between firms that are reporting higher rather than lower prices for their goods and services, and especially the shift in mix towards smaller companies that are planning price rises rather than price cuts.

If both trends continue, then bond markets could just be right in fearing that an inflationary boom is upon us.



INTEREST RATES ON THE MOVE

The number of interest rate rises continues to gather pace on a global basis. Last month there had already been five hikes this year in borrowing costs, in Zambia, Venezuela, Mozambique, Tajikistan and Armenia. There have now been six more – Kyrgyzstan, Georgia, Ukraine, Brazil, Russia and Turkey.

The 11 rate increases we've seen year to date is already two more than in the whole of 2020.

In contrast, the US Federal Reserve is content to sit on its hands despite what is happening elsewhere. Chair Jerome Powell continues to reaffirm the American central bank's commitment to running its quantitative easing scheme at $120 billion a month, while any plans to increase interest rates from their record lows seem to be on hold until 2024.

Powell does not seem concerned about inflation and is seemingly willing to risk its resurgence to ensure that the economy gets back on track in the wake of the pandemic.

Yet financial markets are still taking the view that a strong upturn is coming, because US government bond prices are currently going down, and yields are going up, regardless of what the Fed says. That is a huge change from the last decade or so, when bond and stock markets have been happy to slavishly take their lead from central bank policy announcements.

It could be time for ISA investors to think small

Since the tax wrapper was introduced in 1999 smaller companies funds have outperformed

If you think back to when ISAs were first launched in 1999, it wasn't exactly an auspicious time to start investing.

The tech bubble was about to burst, the split cap investment trust scandal was about to explode, and stocks were about to fall into a three-year bear market. But despite that, the first ISA savers have been rewarded by putting their best foot forward, and investing money in the market.

Over the last 22 years, the average fund sector has turned £1,000 invested into £4,257 today. Not bad at all, particularly considering the market turmoil at the start of the millennium, but returns have been even more impressive from smaller companies funds.

Of the 10 best performing funds since April 1999, seven focus on investment in smaller companies, including **Marlborough Special Situations (B907GH2)** which tops the list.

Smaller Companies funds investing in the UK feature most prominently in the list of top performers, which is probably a reflection of a higher number of funds operating in this area on behalf of UK investors. But if we cast the net a bit wider, we can actually see that superior long term performance from smaller companies is apparent across all developed markets.

Smaller companies funds have outperformed since ISAs were launched

Fund	Performance since 6th April 1999	
	% total return	£1,000 invested
Marlborough Special Situations	3502	£36,019
Schroder ISF Greater China	1893	£19,931
Threadneedle European Smaller Companies	1698	£17,975
Artemis UK Smaller Companies	1643	£17,430
BlackRock UK Smaller Companies	1616	£17,164
Janus Henderson China Opportunities	1490	£15,901
Janus Henderson European Smaller Companies	1468	£15,678
TB Amati UK Smaller Companies	1455	£15,546
Liontrust UK Smaller Companies	1403	£15,030
Pictet Biotech	1353	£14,529
Average fund sector*	**326**	**£4,257**

Source: FE Analytics. Total Return to 15/03/2021. *The average performance of all Investment Association fund sectors over this period, this figure can be used as a proxy for average investor returns.

SMALLER WITH MORE SCOPE TO GROW

The table below shows performance of the main fund sectors investing in the UK, Europe, North America and Japan, where funds invest predominantly in larger blue chips, with some medium sized companies to boot.

Included for comparison is the performance of smaller companies fund sectors investing in the same regions. Across all four markets, returns from smaller companies funds have trounced those from more mainstream funds.

Smaller companies funds tend to be more volatile than blue chip investments, but they have the potential for significant outperformance over the long term for two reasons. The first is this part of the market itself is likely to deliver better returns, because the companies in the index have greater capacity to grow; they are often small fish in a big tank.

ACTIVE MANAGEMENT VINDICATED

The second reason is that active managers can make an extremely telling difference in the smaller companies market, because it is less heavily analysed, so fundamental research can reap significant rewards.

The average UK Smaller Companies fund has returned 756.6% since 1999, compared with 403.8% from the underlying market, as measured by the FTSE Small Cap Index. That's quite some outperformance, and a serious vindication of active management in this area.

Investors thinking about where to put this year's ISA allowance for long-term growth shouldn't therefore overlook smaller companies funds. As the numbers show, small can be beautiful (even if past performance isn't always a guide to future performance).

By **Laith Khalaf**
Financial Analyst

SMALL CAP FUND EXAMPLES

TB Amati UK Smaller Companies (B2NG4R3)

Paul Jourdan has been running this fund for more than 20 years and the whole team is steeped in experience when it comes to small cap investing. They look for high quality companies with competitive advantages. They have an emphasis on the AIM market, but they can invest in stocks all the way up to the FTSE 250.

Standard Life UK Smaller Companies Trust (SLS)

Fund manager Harry Nimmo has been running this trust since 1993. He wants to invest in tomorrow's largest companies today, and so runs a concentrated portfolio of smaller companies with good growth prospects and robust finances, so they can weather the occasional storm.

Tellworth UK Smaller Companies (BDTM8B4)

Paul Marriage and John Warren don't invest in oil & gas, mining, or biotech, preferring instead to focus on more predictable areas of the market. They look for market leaders that have pricing power, as well as misunderstood companies that are going through a period of change.

Smaller companies fund sectors outpace their larger cap counterparts

Investment Association Fund Sector	Total return since April 1999 %
IA Europe Excluding UK	286.6
IA European Smaller Companies	803.1
IA Japan	167.5
IA Japanese Smaller Companies	391.6
IA North America	289.7
IA North American Smaller Companies	756.0
IA UK All Companies	191.1
IA UK Smaller Companies	756.6

Source FE Analytics. Total Return to 15/03/2021

What are the tax issues when I transfer a pension?

AJ Bell pensions expert Tom Selby looks at the case of a reader looking to switch to a different provider

I have had a crystallised pension fund since 2014 and to date I've not had to take any taxable income from the fund. Can I transfer the fund without any tax implications?
Peter

Tom Selby
AJ Bell
Senior Analyst says:

Regardless of whether your fund is 'crystallised' – meaning you have picked a retirement income route such as drawdown or buying an annuity – or 'uncrystallised', there should be no tax implications when transferring to a different UK pension provider. Once you do choose to crystallise your pot, 25% will usually be available tax-free, with the rest subject to income tax.

Check to see if there is an exit fee before you transfer. Similarly, some older types of pensions, such as with-profits policies, will charge a penalty if you leave before a certain date specified in your policy documentation. This is sometimes referred to as a 'market value reduction' or MVR.

In addition, some policies have valuable guarantees attached which you may lose if you transfer to an alternative provider.

For example, pensions which promised to pay a set annuity rate from a specific date, known as a 'guaranteed annuity rate' or GAR, were relatively common in the 1980s and 1990s.

This annuity rate will often be much more generous than you could buy from an insurance company on the open market, so giving it up may be a significant financial decision. It is for this reason that the Government insists anyone with a guaranteed annuity rate policy worth £30,000 or more takes regulated independent financial advice before transferring.

If your fund is in drawdown and you transfer to a new drawdown provider, you will be offered the option of choosing one of four 'investment pathway' investments.

Investment pathways were introduced by the Financial Conduct Authority in February this year, with the aim of encouraging more people to engage with their funds in drawdown and not hold large amounts of cash over the long-term.

If you transfer to another drawdown provider, you will initially be given the option of choosing an investment pathway, choosing your own investments or sticking with the investments you already have.

If you opt for the investment

pathway route, you will be offered the choice of four options. These will not be tailored based on your personal circumstances, but rather designed around four very broad retirement income objectives.

- **Option 1:** I have no plans to touch my money in the next five years
- **Option 2:** I plan to use my money to set up a guaranteed income (annuity) within the next five years
- **Option 3:** I plan to start taking my money as a long-term income within the next five years
- **Option 4:** I plan to take out all my money within the next five years

If you choose an investment pathway it will still be crucial to monitor your investments and income withdrawal strategy regularly.

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.

KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full-year results

26 March: C&C, Serinus Energy. **29 March:** Dev Clever, Digitalbox, Impact Healthcare REIT, Quixant, Ten Entertainment. **30 March:** AG Barr, Animalcare, Central Asia Metals, Chesnara, Dialight, EKF Diagnostics, Michelmersh, Real Estate Investors, S&U, Silence Therapeutics, Yu Group. **31 March:** Evraz, Gulf Keystone Petroleum, Tricorn. **1 April:** Equiniti, Next, Sportech.

Half-year results

30 March: Nanoco. **31 March:** Gattaca, James Halstead.

Trading statements

30 March: 3i, Pennon. **31 March:** Topps Tiles.
1 April: Renew Holdings.

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THIS WEEK: 15 PAGES OF BONUS CONTENT

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Energy, renewables and resources

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

MARCH 2021

ISSN 2632-5748

Introduction

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

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

This edition is dedicated to 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 webinars and how to register for free tickets.

Previous issues of Spotlight are available on our website.

AIM dividend-paying natural resources stars

A small but growing collection of junior market miners and oil firms are returning capital to shareholders

Many investor would not immediately associate the AIM natural resources space with income but there is a small but growing number of companies in this space which are forecast to pay dividends.

The balance between mining and oil/gas companies is skewed towards the former – perhaps reflecting the perceived shinier prospects of mining businesses.

These are seen as being better positioned for the energy transition as many of the metals they dig out of the ground will be required for the renewables and electric vehicle infrastructure and equipment the world will need as it moves away from fossil fuels.

The dividend yields on offer, based on consensus forecasts for company's current financial year, range from generous (or potentially being signalled by the market as being at risk of being cut) to nominal.

Company	Yield (%)
Base Resources	8.1
Trans-Siberian Gold	8.1
Wentworth Resources	4.6
Central Asia Metals	4.4
Pan African Resources	4.3
Anglo Asian Mining	4.0
Sylvania Platinum	3.6
Shanta Gold	2.7
Serica Energy	2.6
Caledonia Mining	2.2
Jadestone Energy	1.3

Source: Sharepad (Hardman & Co for Anglo Asian).
Data as at 19 March 2021 (February 2021 for Anglo Asian).

BIGGEST YIELD FROM BASE

Top of the tree is mineral sands company **Base Resources (BSE:AIM)** which has the established Kwale operation in Kenya and the Toliara project in Madagascar which remains in development.

First-half results in February 2021 saw a better-than-expected dividend but investment bank Berenberg suggests shareholders shouldn't get too used to big payouts.

It commented: 'As part of the capital allocation policy, cash not required to meet near-term growth and development requirements or to maintain balance sheet strength has scope to be returned to shareholders. Clearly a delay at Toliara and high prices, particularly for ilmenite, which is providing a boon for Kwale cash flows, means that excess cash is being returned to shareholders.

'It is worth noting that should fiscal terms be agreed with the government of Madagascar for the Toliara project, we would expect to see dividend payments

ceased and cash flow directed back into projects.'

Another generous stream of income from **Trans-Siberian Gold (TSG:AIM)** could also be about to dry up as the Russian-focused gold miner has just received a £108 million takeover offer.

SUSTAINABLE DIVIDENDS FROM TANZANIA

The yield on offer at Tanzanian natural gas producer **Wentworth Resources (WEN:AIM)** looks potentially more sustainable.

The company operates the Mnazi Bay producing gas asset, feeding its output into the national gas infrastructure in Tanzania. Its cash position increased from $13.5 million to $17.8 million year-on-year as at 31 December 2020.

And according to CEO Katherine Roe, the results of an independent audit of the project, unveiled on 2 February, 'show the continued strong technical fundamentals underlying the Mnazi Bay field and its potential to generate strong, long-term free cash flows that form the basis of our sustainable dividend policy'.

Central Asia Metals (CAML:AIM) has long been a dividend stalwart underpinned by low operating costs on its mines in Kazakhstan and Macedonia and a conservative investment strategy. In January 2021 the company reported strong 2020 production and confirmed guidance on output for the year ahead.

Chief executive Nigel Robinson commented: 'We enter 2021 with a strong balance sheet, having repaid $38.4 million of our corporate debt package during 2020, and we look forward to the year ahead in a period of improving metal prices.'

South African African gold producer **Pan-African Resources (PAF:AIM)** reported increased production and profit for its last full financial year to 30 June 2020 – helping to underpin a record dividend payment.

The company's balance sheet position continues to improve with net debt falling 47% year-on-year by 31 December 2020 and totalling just 0.5 times earnings, leaving plenty of scope for the return of capital to shareholders.

'MATERIAL' INCREASE IN PAYOUTS EXPECTED

In first-half results announced on 22 February 2021, South Africa focused, low-cost platinum group metals specialist **Sylvania Platinum (SLP:AIM)** announced a doubling of its regular dividend and revealed a special payment on top.

Liberum analyst Ben Davis commented: 'Sitting with $67 million of cash and generating $155 million of free cash flow at spot prices (35% free cash flow yield), with no major capex commitments, dividends look set to rise materially going forward.'

Near the bottom of the list in terms of yield are oil firms **Serica Energy (SQZ:AIM)** and **Jadestone Energy (JSE:AIM)**. Based in the North Sea and South East Asia respectively, both joined the dividend list relatively recently.

In recent commentary on Serica and Jadestone, Laura Foll, co-fund manager of investment trust **Lowland (LWI)**, said: 'In terms of transactions, in the energy sector we added to companies such as Serica Energy and Jadestone Energy, which are buying cash generative assets from the oil majors as part of their ongoing disposal programmes.

'Both have experienced management teams and conservative balance sheets.'

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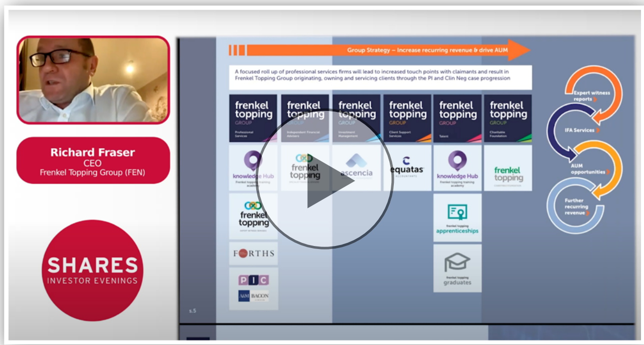
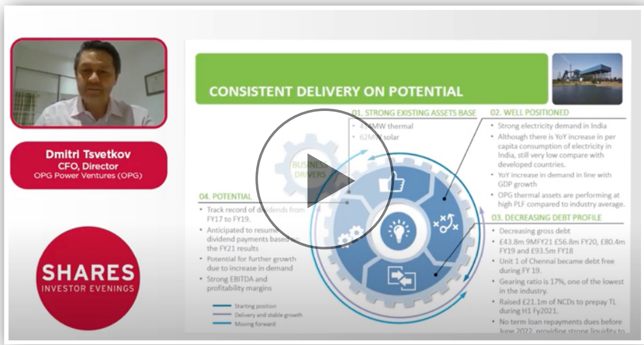


Frenkel Topping Group (FEN) – Richard Fraser, CEO

Frenkel Topping Group is engaged in the financial services sector. Its activities include specialist independent financial advice and wealth management with the objective of growing the assets under management.



OPG Power Ventures (OPG) – Dmitri Tsvetkov, CFO

OPG Power Ventures is principally engaged in the development, owning, operation, and maintenance of private sector power projects in India. The electricity generated from the company's plants is sold primarily to public sector undertakings and heavy industrial companies in India or in the short-term market.

Touchstone Exploration (TXP) – Paul Baay, CEO

Touchstone Exploration is a Canadian-based upstream oil and gas exploration and production company currently active in the Republic of Trinidad and Tobago. It is an independent onshore oil producer in Trinidad.

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

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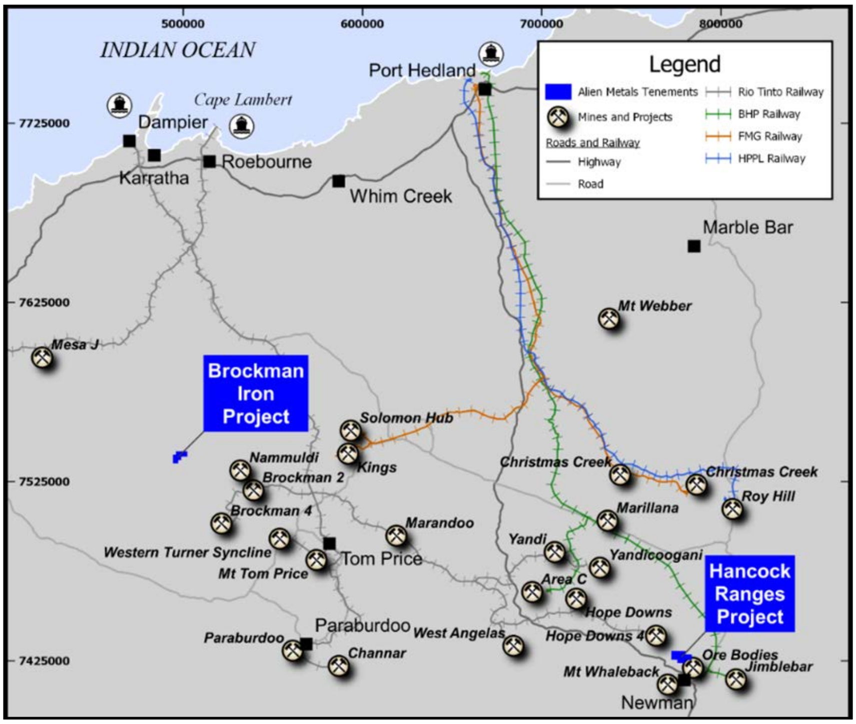
Alien Metals is advancing a strong portfolio of mining assets up the value curve

www.alienmetals.uk



Alien Metals (UFO:AIM) is an exploration and mining project developer company listed on AIM. The company's focus is on precious and base metal commodities.

Alien Metals has embarked upon an acquisition-led strategy headed by a high-quality geological team to build a strong portfolio of diversified assets, including two recent acquisitions.

In 2019 Alien acquired 51% of the Brockman and Hancock Ranges high grade (Direct Shipping Ore) iron ore projects in the world class Pilbara region of Western Australia and in 2020 acquired the Elizabeth Hill Silver project, also located in the Pilbara region of Western Australia.

Alien undertakes cost effective and value adding exploration campaigns across its projects based on the status of each project even to potentially defining JORC compliant resources where applicable.

Alien also continues to evaluate and pursue other prospective opportunities in the resources sector in line with its strategy to acquire low-cost projects and develop high quality assets.

Alien currently have projects in first class mining jurisdictions with highly prospective commodities managed by highly experienced local technical teams to manage the exploration phases and advance the projects.

CREATING SHAREHOLDER VALUE

Shareholder value is created combination of pathways starting with the identification of projects with excellent potential, effective exploration potentially to the delineation of a maiden resource, the introduction of a funding partner or through realising an economically

viable development plan for one of the company's projects or even a spin off/ sister company to take on mining/ reprocessing should the opportunity arise and the economics make sense to all.

HAMERSLEY IRON ORE PROJECT (51%)

The Iron Ore projects within the Hamersley Province of Western Australia, the premier iron ore producing regions of the world. The Brockman Project (E47/3953) is located in the west Hamersley Province, 100 kilometres northwest of the Rio Tinto iron ore mining town of Tom Price, and 90 kilometres west of the Tom Price to Dampier mine railway. The Hancock Ranges Project (E47/3954) is located in the east Hamersley Province, 15 kilometres north of the BHP iron ore mining town of Newman, and 20 kilometres west of the Newman to Port Hedland mine railway.

There are several drill ready prospects within the projects of which the priority of them in the Brockman Project were covered by detailed mapping traverses across the prospects with over 50 samples taken. Initial interpretations are excellent with indications of larger area of the mineralised Brockman Iron Formation than originally thought.

The two main prospects in the Hancock Project were covered as well with some helicopter support to maximise field time against travel time and over 40 further samples were taken with more detailed and positive mapping carried out. The laboratory assays confirmed high-grade iron ore results of up to 66% Fe (or 66% iron content).

Its technical team used these findings to plan a maiden drilling programme on several identified targets which commenced in the middle of January 2021 and is ongoing. This programme will consist of 3,500 – 4,000m of RC drilling solely on the Hancock Ranges tenement. This maiden drilling is also aimed to identify a maiden resource at the key prospect Sirius Extension which is adjacent to Brockman Mining's 124Mt (metric tonne) @ 60.32% Fe resource.

ELIZABETH HILL SILVER PROJECT (100%)

As announced on 25 September 2020 the company finalised the 100% acquisition of the Elizabeth Hill Mining Licence ML 47/342. In conjunction with the acquisition of the ML Alien also acquired the Munni Munni North Exploration Licence, EL 47/4422, which wraps around the Mining Lease and contains numerous underexplored historic prospects with anomalies for Copper, Nickel, gold and PGE's associated with the Munni Munni intrusion.

Elizabeth Hill is historically one of Australia's highest grade silver mines and has produced over one million ounces at an average of 2,195 g/t Ag (70.24 Oz/t Ag) from an initial resource of just over four million ounces. The deposit was also unique for the exceptional native silver nuggets including, a single 145 Kg nugget, worth significantly more than its $137,000 weight in silver. Mining ceased in 2000 due to a depressed silver price of $4/oz compared with current silver prices of $26/oz. This indicates that their remains a considerable untapped resource.

Initial review of historical records and technical reports by Alien confirms evidence of untested further high-grade mineralisation. Due to the abundance of native silver in the main mineralised system reported in historic reports and as evidence from the unique nuggets extracted to date and with single assays returning up to 30,000 g/t Ag (900 Oz/t Ag) it is evident that this deposit contained and still contains exceptional high-grade silver.

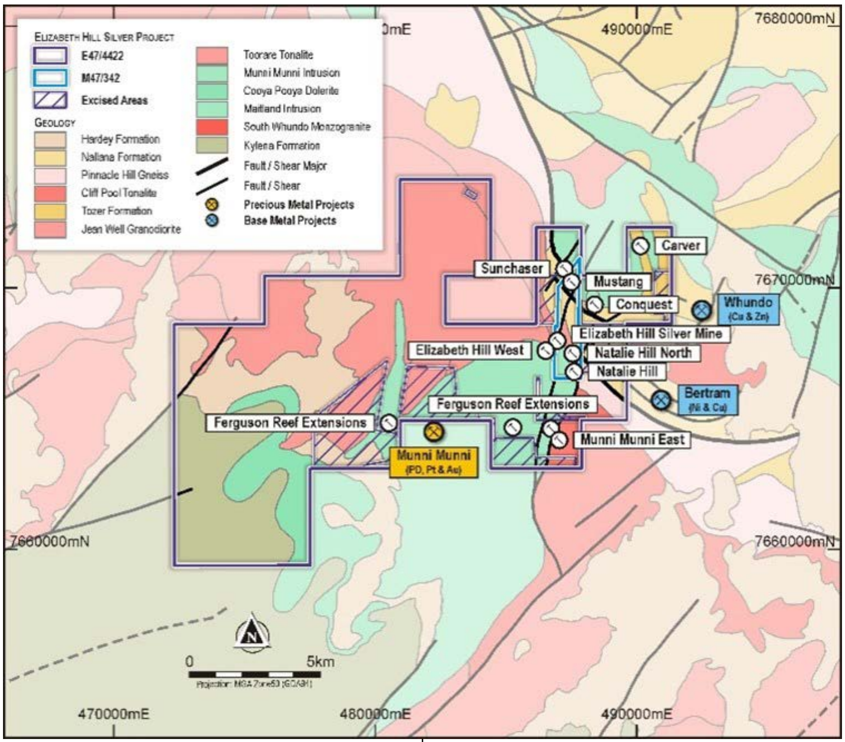
Alien's Program of Works ('POW') has been approved by the Western Australia Mines Department for initial trenching and drilling at the Elizabeth Hills Mining Licence. The POW covers up to 1.25 kilometre of trenching programs and 4,000m of drilling (RC and diamond drilling). Trenching programs to test for new or repeat silver orebody due south of existing deposit. Drilling program to target the historical resource area and to test for potential strike extensions. Field exploration is underway started in mid-December and will run for a number of months.

Alien is in the process of acquiring an aeromagnetic survey for Elizabeth Hill and the surrounding area. This will aid in tying in all existing prospects and historical data to assist in prioritising numerous existing targets as well as the potential for new targets to be defined from this fresh data and interpretation work.

SAN CELSO AND LOS CAMPOS SILVER PROJECTS, MEXICO (100%)

Alien Metals Ltd have two significant silver projects in the Zacatecas State of Mexico, in the prolific silver belt of Mexico which in Zacatecas State alone has produced over one billion ounces of silver and has a rich and long mining history and culture.

Alien Metals has a wholly owned subsidiary, Minera Estrella de Plata in Mexico



which has operated for over 15 years with a good platform to work in country.

The San Celso and Los Campos projects both host very high-grade silver mines with historic underground workings. They all contain significant unmined ore within both the existing mines and also along strike and at depth.

Alien have been reviewing all historic data combined with recent surface sampling and mapping to plan initial scout drilling to begin to understand the full potential of both projects. Alien are also looking to add ground around the projects with known strike extension of existing mineralised systems, the Nueva Andromeda tenement being the first acquired contiguous to the San Celso tenement.

Both projects are drill ready and the company is focused to get the necessary drilling permits issued to be in a position to carry out maiden drill programs on each project with the funding already in place.

SAN CELSO SILVER PROJECT (100%)

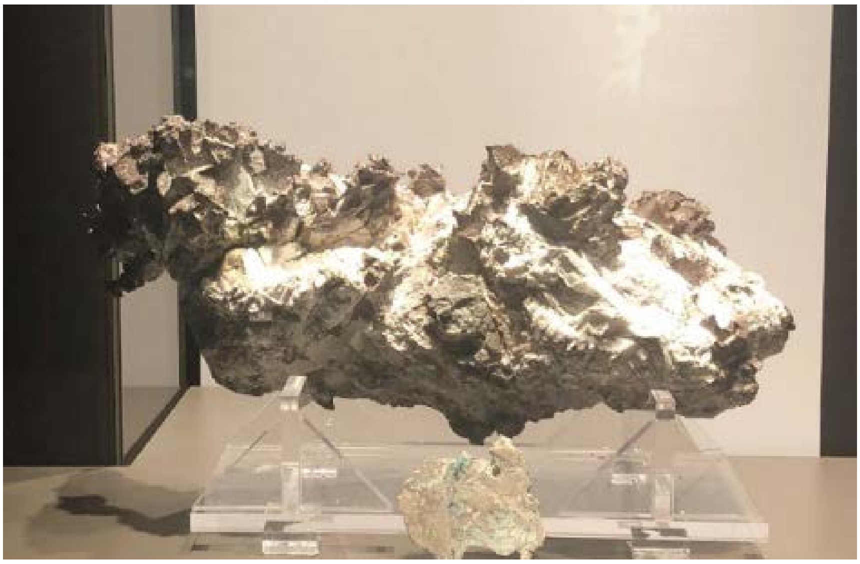
Comprised of three contiguous mining concessions covering 88.5 hectares.

Close proximity to infrastructure including main road network, power and an experience work force.

Hosts 2 historic underground silver mines, the San Celso and Las Cristinitas mines, targeting high grade silver viens that run through the tenements.

A third vein system extends into the newly acquired Nueva Andromeda tenement recent soil sampling suggest this extension may run further than expected.

Targeting a low sulphidation epithermal silver deposit as the project has a similar geologic setting and vein mineralogy to that found at other well-known deposits of



this style in Mexico.

Previous and recent sampling by Alien confirms high silver grades up to 2683 g/t silver and averaging 1,264 g/t silver from 15 samples at the San Celso project

The primary targets on the project are well defined and Alien believes there is good potential for development at San Celso based on the shallow portions of the unmined veins, strike extensions of veins at depth and along strike.

LOS CAMPOS SILVER PROJECT (100%)

Comprised of four contiguous mining concessions covering 1 hectares.

Located four kilometres from Endeavour Silver 's El Compas Mine that produced 0.7 million ounces of silver equivalent grading 75 g/t (grammes per tonne) silver in 2019.

Hosts two prominent mineralized veins, the Los Campos and the San Rafael

The majority of the historic exploration was focused on the Los Campos vein with reported grades of over 1,000 g/t silver (14g/t Au Equivalent).

Surface sampling carried out in 2019 returned a maximum of 547 g/t silver and 185 g/t average over 14 samples.

Work Planned: Determine extent of historic mine workings, scout drilling planning, seek partner for potential JV or farm in agreement.

DONOVAN 2 COPPER GOLD PROJECT, MEXICO

Alien Metals has executed an earn-in agreement with Capstone Mining Corp over its Donovan 2 Copper-Gold project in Mexico. Pursuant to the agreement, Capstone has the ability to acquire up to an 80% interest in Donovan 2 by sole funding the Project up to completion of a Prefeasibility Study.

Capstone can earn an initial 65% interest in Donovan 2 through a combination of cash payments and committed expenditure, consisting of:

- $290,000 in cash payments to Alien over three years; and
- $3.6 million in valid exploration expenditure over three years

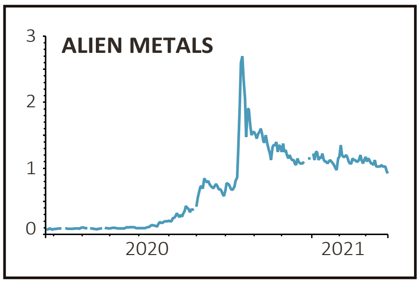
Capstone can increase their interest from 65% to 75% by making a further cash payment of $200,000 and funding the costs associated with a Preliminary Economic Assessment (PEA).

Following delivery of the PEA, in the event Alien elects not to contribute pro-rata to its 25% interest, Capstone Mining has the ability to sole-fund the costs of a Prefeasibility Study (PFS) to earn an additional 5% in Donovan 2 (bringing their holding to 80% and Alien 20%).

Thereafter, each party will fund their pro-rata interest in the project or dilute according to industry standard mechanisms. In the event Alien dilutes to below 5%, it's interest will convert to a 2% royalty.

The transaction with Capstone has seen quick advancement of the Donovan 2 Copper-Gold project while allowing Alien to focus exploration activities across its other projects. Further to a detailed ground Induced Polarization survey at the end of 2020 Capstone started the maiden drilling program at the end of February 2021 with a 2,500m core drilling program planned.

The board of Alien continues to assess a range of mineral projects and opportunities, with particular focus on exploration projects with significant exploration and value upside.



tharisa

Tharisa's sustainable PGM growth drive

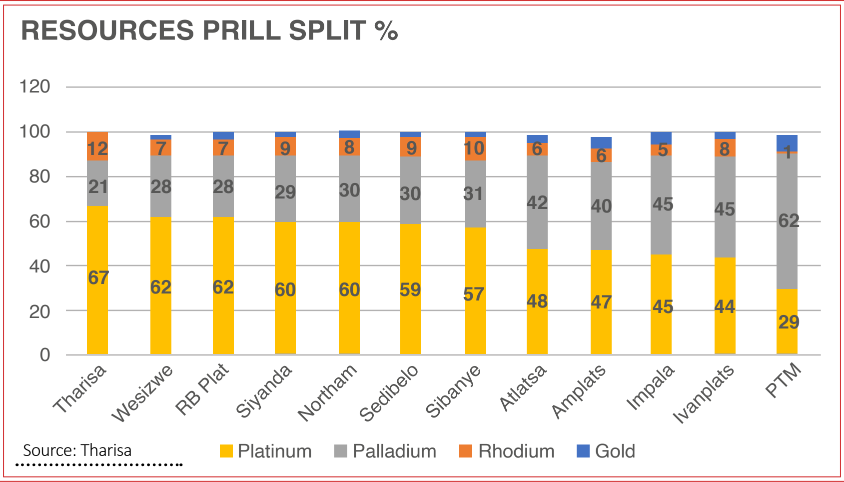
www.tharisa.com

Tharisa (THS) is an integrated resource company, incorporating mining, processing, exploration and the beneficiation, marketing, sales and logistics of platinum group metals (PGMs) and chrome concentrates.

The principal industrial uses of PGMs are the reduction of noxious gases through catalytic processes, as well as the core metals in the generation of energy through fuel cell technology, whilst chrome is principally used in making steel stainless, with special applications in the chemical and foundry industries.

The company produces its metals from the open pit, mechanised, low labour intensive Tharisa Mine – located in the south-western limb of the Bushveld complex in South Africa – of which it owns 74%, with the remaining 26% owned by the local community (6%) and a broad based grouping of mainly women shareholders (20%); this so called BEE shareholding making the company fully compliant with legislation in South Africa.

The company is extremely proud of its safety record, having been fatality free over the past five years, with strong performances in other ESG sectors, including local employment, leanerships and training opportunities and support to the local communities in the form of primary services and education.



Source: Tharisa

The Tharisa Mine is located some 90km from Johannesburg, with excellent infrastructure in the vicinity. Given the open cast nature, the company is not heavily reliant on power, using a maximum of 25 mega watts, making up less than 6% of operating costs.

The mine has a 14-year open pit life and the ability to extend operations underground by at least another 40 years. Tharisa is listed on the Main Market of the London Stock Exchange and the Johannesburg Stock Exchange.

PLATINUM GROUP METALS

PGMs are amongst the most versatile and ubiquitous metals in manufactured goods. A quarter of all metal-contained products include PGMs, ranging from platinum in jewellery to fuel cells, through to rhodium and palladium in catalytic converters.

Despite the challenges of the

global Covid-19 pandemic in 2020, Tharisa's production of PGMs rose slightly in the last financial year under review, with production of 142,100 ounces (oz) in its full year to 30 September 2020 (FY2020) versus 139,700 in the prior year. Tharisa has the highest loading of Rhodium measured on a 4E metal basis of any producer, rhodium making up 12% of the split, with palladium at 21% and platinum at 67%.

Prices of all PGMs have risen dramatically over the past year, with Tharisa showing current spot basket values in excess of $4 000/oz versus a delivered price of $1 704/oz in the last financial year.

Guidance for the FY2021 financial year for PGM production is 155,000 oz to 165,000 oz with the growth in PGMs targeting 200,000 oz per annum within 24 months.

CHROME

Chrome is what makes steel stainless, with the metal having seen a compounded annual growth rate (CAGR) of close to 6% since 1950, output in 2020 being in the region of 50 million tonnes of stainless steel. South Africa supplies over 80% of China's chrome needs, with Tharisa making up between 10% and 12% of this Chinese demand on an annual basis.

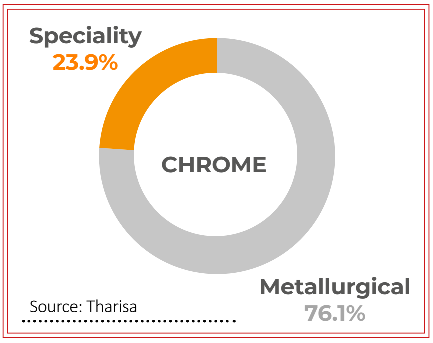
Roughly 1.8 million tonnes per annum of chrome ore is required to meet this 5% CAGR of the stainless steel market, so the fundamentals of the chrome industry, given its concentrated supply, remain strong. Tharisa is globally the 4th biggest producer of metallurgical chrome, being the largest producer of chemical chrome globally, with chemical grade chrome trading a significant premium to metallurgical grade.

The company produced just under 1.4 million tonnes of chrome in the FY2020 year, targeting output of 1.45 million tonnes to 1.55 million tonnes in FY2021, and with the imminent addition of a new processing plant, Vulcan, the company ultimately aims to increase output to over two million tonnes per annum.

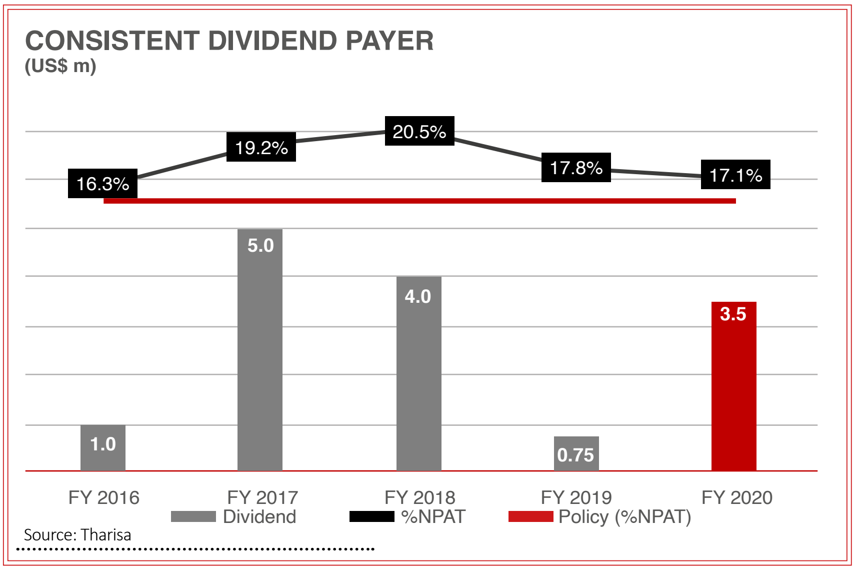
FINANCIAL PERFORMANCE

Despite the disruption suffered by so many across the mining sector as a consequence of Covid-19 restrictions that led to supply chain disruption, Tharisa stood as an example of a business able to weather the storm, owing largely to its open-pit mine, which allowed the Company to continue operations safely, whilst complying with social distance measures.

Tharisa also boasts one of the best health and safety records in the sector, with a Lost Time Injury Frequency Rate (LTIFR) – the industry benchmark for safety – of 0.08 per 200,000-man-hours worked.



Source: Tharisa



Source: Tharisa

As a consequence, Tharisa was able to more than double EBITDA to $113.4 million from $51.6 million, on the back of increased revenues of 18.4% to $406 million from $342.9 million. Tharisa was also able to increase its dividend almost fivefold to 3.50 cents, from 0.75 cents and earnings per share fourfold 16.2 cents (from 4 cents). The company has been a consistent dividend payer over the last five years and has a stated policy of paying out at least 15% of consolidated net profit after tax.

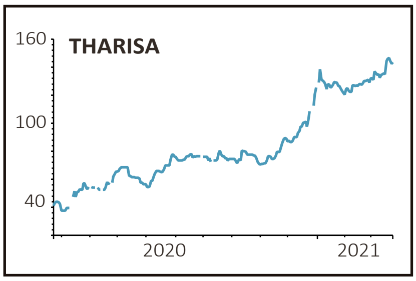
SUSTAINABLE GROWTH

With the business able to weather the storm of Covid-19, Tharisa is making progress on its growth strategy, based on three major pillars:

- Complete organic growth opportunities
- Commercialise downstream opportunities
- Consolidate external opportunities

At the time of writing, Tharisa's share price stands at £1.38*, having risen from 59p a year ago.

*All prices are accurate as of 8 March 2021.



Trident Royalties de-risked approach to capitalising on the next commodities supercycle

www.tridentroyalties.com

Over the past 10 months, the **Trident Royalties (TRR:AIM)** team have been working to assemble a portfolio of royalties and streams to provide investors with exposure to a broad spectrum of mining commodities. As analysts increasingly look to the start of a new commodities supercycle, the Trident Royalties growth strategy, which quickly gained traction following its AIM listing during the depths of the Covid pandemic in June 2020, looks particularly prescient.

BENEFITS OF THE MODEL

A key benefit of the royalty and streaming business model is that it offers investors an alternative way to gain exposure to the rising commodity prices that accompany a supercycle, but in a way which is structurally insulated from the issues typically associated with investing directly in mining equities.

These issues, which are often exacerbated during a run-up in commodity prices, include operating cost increases, capital cost overruns, equity dilution and poor quality M&A activity as businesses look to expand near term production at increasingly higher marginal cost which quickly becomes uneconomic when prices weaken.

Royalties typically provide the best features of both equity and debt for investors. Royalties are often secured and rank senior in the capital structure relative to equity, whilst retaining the upside that exploration success, accretive M&A and strong commodity prices provide equity investors.

The structural protection whilst retaining equity upside results in royalty companies typically trading at attractive valuation multiples, often significantly higher than the underlying operator of the royalty assets. Furthermore, the scale and commodity diversity which a royalty and streaming model can offer inherently enhances value, with the opportunity to receive long term returns whilst retaining flexibility to move with market trends and demand fundamentals.

Trident Royalties differentiates itself from

its more abundant North American cousins not just through its primary listing being in London, but also through its diversified portfolio which looks to broadly mirror the commodity exposure of the global mining sector, while competitors are predominately precious metals focused. As well as providing a key differential compared to peers, this portfolio diversification also seeks to lower risk and mitigate revenue volatility.

FLEXIBLE APPROACH

Trident Royalties has an open and flexible approach to transaction quantum, targeting attractive small-to-mid sized transactions and in so doing, capitalising on opportunities which may be overlooked by larger royalty companies.

The company has rapidly built its portfolio since listing on AIM, with the seventh deal in ten months recently being reported. This last transaction, which is the largest undertaken so far, brings lithium, a key battery mineral, to the company's portfolio, alongside existing exposure to iron ore, copper and gold.

The Thacker Pass Lithium Project, over which Trident has acquired a 60% interest in an uncapped life-of-mine Gross Revenue Royalty, is a globally significant lithium asset and one of the largest known lithium deposits in North America. Its location in Nevada is of strategic importance being close to both key mining infrastructure and potential customers, including the Tesla Nevada Gigafactory.

It has a mine life of some 46 years and mineral reserves of 3.1Mt Lithium Carbonate Equivalent, making it one of the largest and longest life lithium projects located in a tier 1 mining jurisdiction. Funded to commence construction with existing cash and debt facilities, Thacker Pass has key permits in place to commence construction in late 2021 / early 2022 and is being taken into production by an experienced project developer.

ROYALTY PORTFOLIO

This latest transaction builds on the company's established royalty portfolio which consists of:

- A 1.5% free on board revenue royalty covering part of the producing Koolyanobbing Iron Ore Operation in Western Australia operated by ASX listed Mineral Resources. The royalty is over part of the Deception Pit at Koolyanobbing; containing a JORC compliant Reserve of 9.3 Mt @ 59.9% Fe and Resource of 19.5Mt @ 59.9% Fe.

- A current 1.25% Gross Revenue Royalty over all copper produced from the Mimbula Mine in Zambia, which is operated by Moxico Resources.

- A portfolio of three royalties over the Pukaqaqa Copper project, a development stage copper asset in Peru containing NI 43-101 compliant Measured and indicated Resources of 309 million tonnes at 0.41% Cu.

- A 1.5% Net Smelter Return gold royalty over production from the Lake Rebecca Gold Project located in Western Australia. Lake Rebecca has a JORC (2012) compliant published Resource of over 1Moz and is being actively progressed towards development by ASX listed Apollo Consolidated Limited.

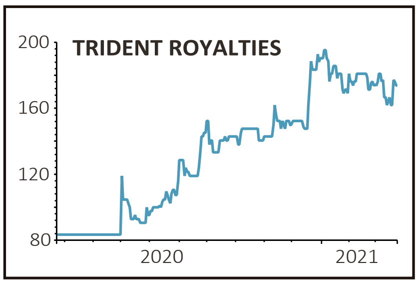
- A variable gold price royalty over production from the Spring Hill Gold Project located in Australia's Northern Territory and operated by private group PC Gold Pty. Spring Hill has a JORC (2012) compliant open pit Inferred Mineral Resource Estimate of 8.79Mt grading 1.26g/t (grammes per tonne) Au for 355,000 ounces of contained gold at 0.5g/t Au cut-off.

- A package of gold royalties covering four projects located in the prospective Pilbara and Yilgarn regions of Western Australia. The Royalty Package comprises a 1.5% Net Smelter Royalty over multiple tenements within the Talga Talga, Warrawoona and Mosquito Creek projects as well as a 1.0% NSR over tenements at the Bullfinch project.

While only 10 months old, the initial suite of acquisitions by Trident have secured attractive exposure to producing iron ore and copper assets with ongoing royalty payments from these more than covering the relatively modest G&A (general & administrative costs) of the company.

WELL CAPITALISED FOR FUTURE DEALS

The company raised £20.7 million in conjunction with the acquisition of the Thacker Pass Lithium Project royalty and is well capitalised for future acquisitions as Trident Royalties looks to achieve critical mass in its portfolio. This critical mass is expected to deliver improved access to both debt and equity capital, expand margins by materially growing revenue with essentially fixed overheads and will support accretive initiatives such as a progressive dividend policy and lower-cost leverage.



Yellow Cake looks to capitalise on uranium's attractive fundamentals

www.yellowcakeplc.com

AIM-quoted **Yellow Cake (YCA:AIM)** offers shareholders pure exposure to the uranium price through the purchase and storage of physical uranium. Yellow Cake benefits from a unique set of characteristics, based on its low cost structure, no mining risk, and ability to grow due to its strategic contract with Kazatomprom, which allows it to significantly build its physical holdings of uranium at the spot price.

A COMPELLING POSITION

The uranium price has risen over 18% over the past 12 months, though it has fallen from its short term peak in mid-2020 (after the temporary shutdown in uranium production during the pandemic). This is a supportive environment for Yellow Cake based on the industry context and the supply/demand fundamentals.

Firstly, uranium demand is growing, driven by the global nuclear build programme. A sustained period of low prices has resulted in supply cuts, exacerbated by Covid-19. The long period of low prices

has also resulted in little investment going into future new production, which will be needed. Utilities are expected to re-enter the long term contracting market in 2021. These factors create a clear supply/demand imbalance that is yet to fully impact the uranium price.

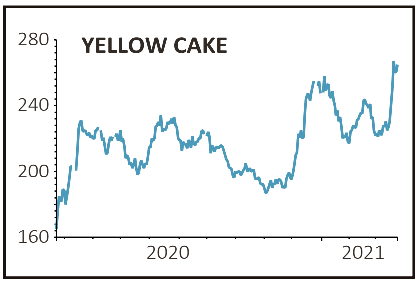
ADVANCING ITS STRATEGY

In February 2021, Yellow Cake announced the results of a highly successful share placing and retail offer, raising $140 million (exceeding its initial $110 million target due to demand).

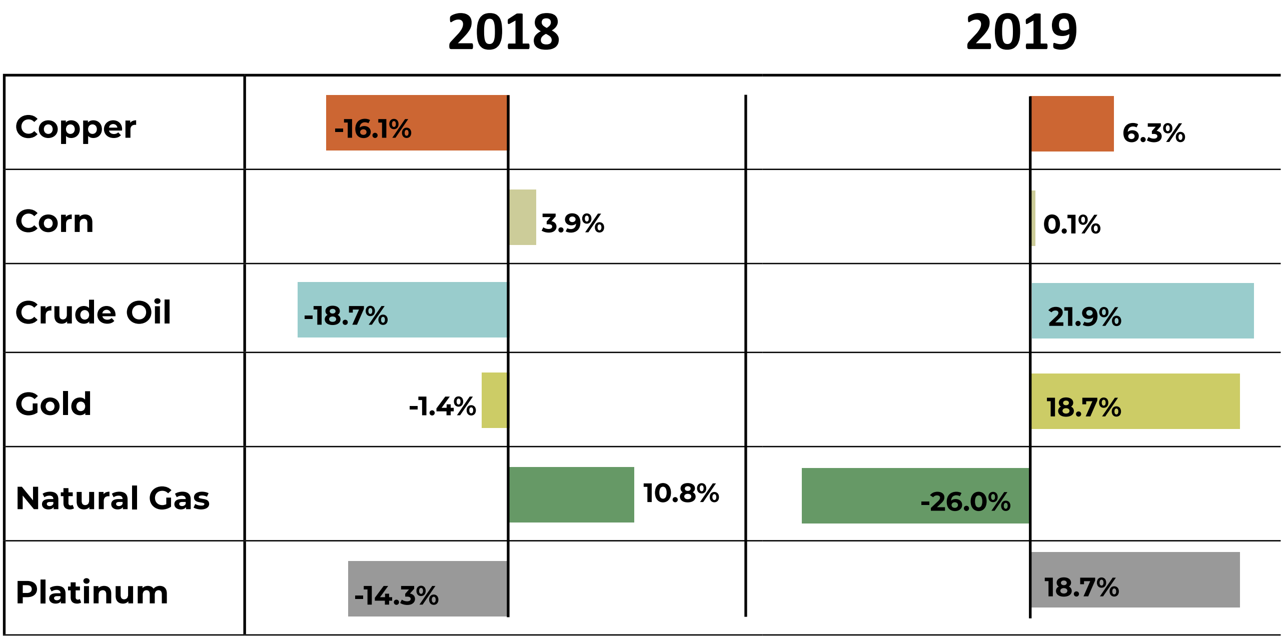
Yellow Cake has now moved forward on the next phase of its long term supply agreement with Kazatomprom, by acquiring a further 3.5 million pounds (mmlbs) of uranium at a price of $28.95 per pound. Yellow Cake was also able to purchase a further 440,000 pounds of uranium in the spot market at a price of $27.34 per pound. These purchases will bring its total uranium holdings to 13.2 mmlbs.

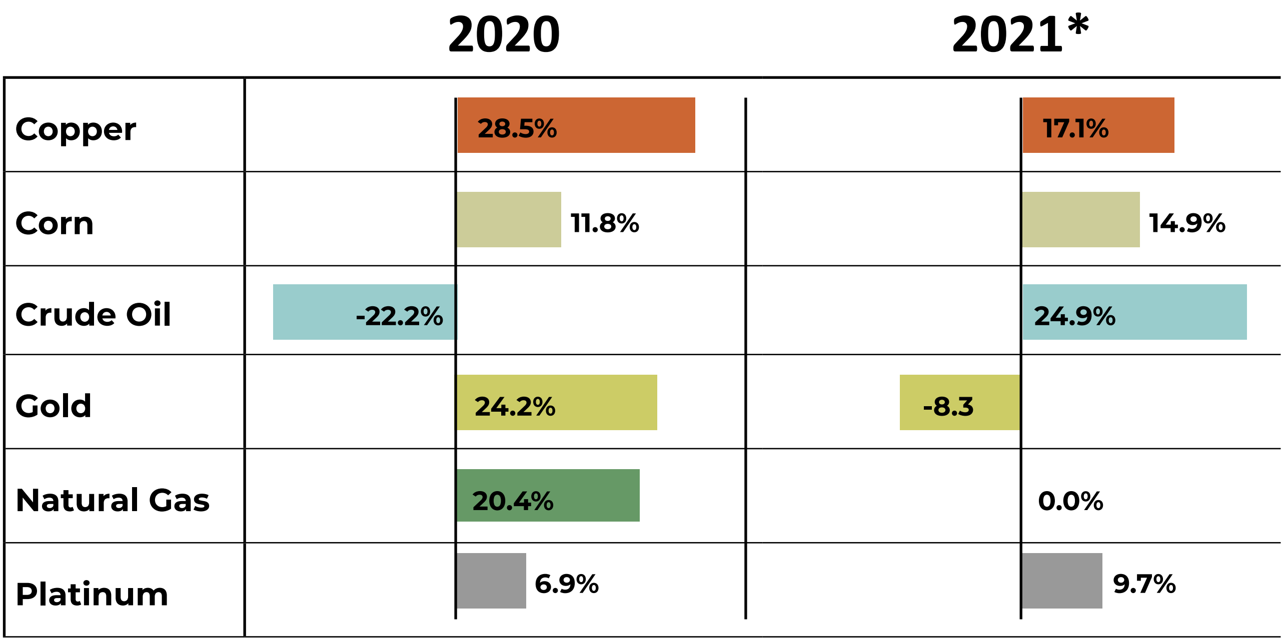
THE FUTURE

The success of the fundraise highlighted the improving sentiment behind uranium, centred on the growing recognition that nuclear energy is a reliable base load source of electricity and is increasingly seen as a contributing technology to a low-carbon future. This theme will become more pronounced as we move towards the COP26 UN Climate Change Conference, and with it, interest in uranium.



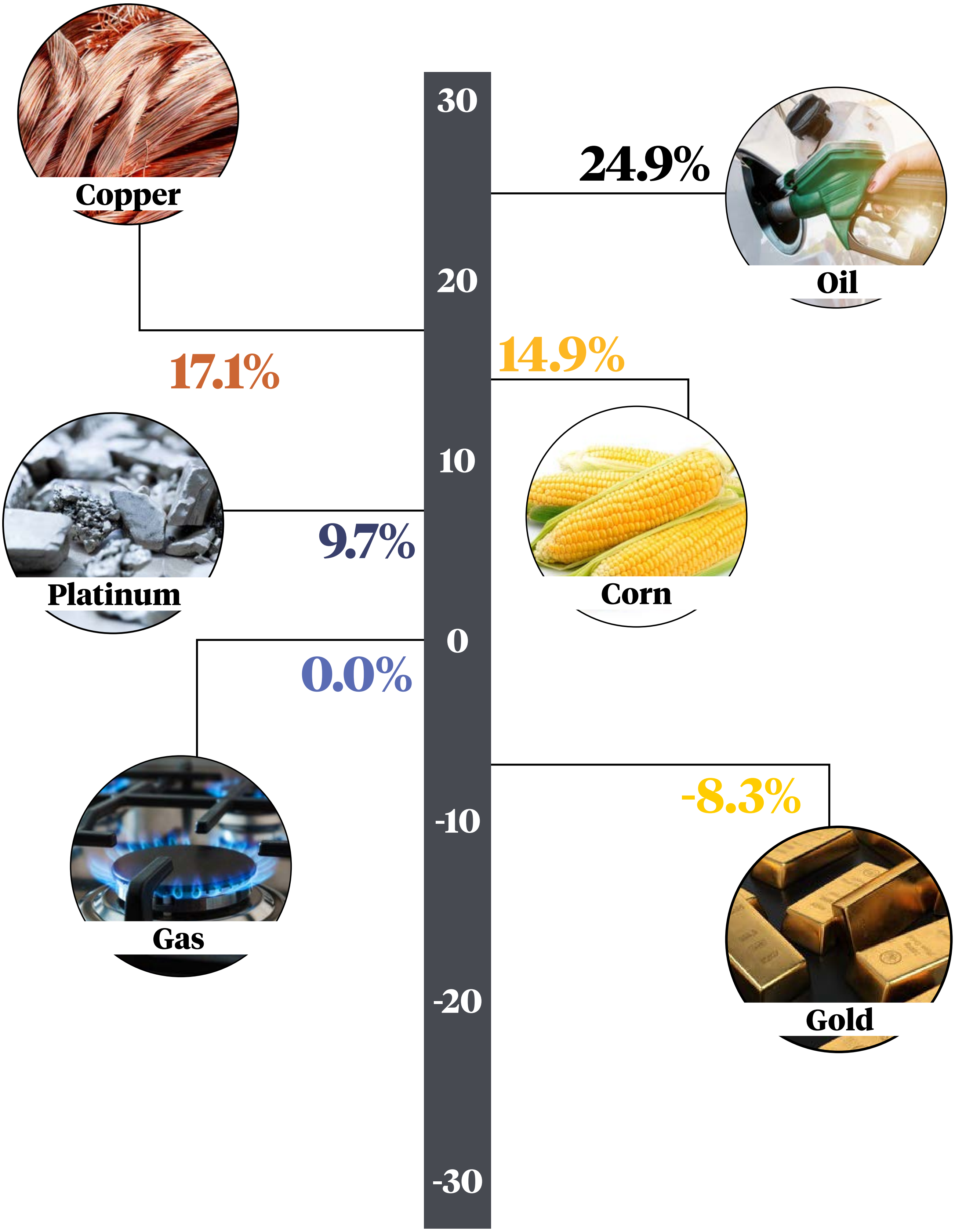
Databank – Commodity price performance 2018-2021





Source: Refinitiv. *Data to 22 March 2021.

Databank – Gain / loss so far in 2021



Source: Refinitiv. Data to 22 March 2021.