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SHARES

WE MAKE INVESTING EASIER

CHANGE IS COMING

The big stocks being targeted by activists

ENERGY CRISIS

THE MARKET IMPACT OF SURGING OIL AND GAS PRICES

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CFA UK Publication of the Year CFA UK Journalism Awards 2019

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The role of renewables trusts in the energy crisis

Surging power prices may add to value challenge for solar and wind investors

One reason why Europe is facing an energy crisis is that renewables power generation fell short of expectations after a summer which was neither sufficiently windy nor sunny.

While this reveals one of the limitations of solar and wind power and has provided a reminder of the continuing role of natural gas, among other traditional sources of energy, it also shows the need for further investment to boost capacity.

If power prices remain elevated, it may affect the assumptions on which the valuation of assets is based which could be a double-edged sword for the sector.

Speaking to *Shares*, investment director at **Octopus Renewables Infrastructure Trust (ORIT)** Chris Gaydon says part of the reason the trust has changed its investment policy to target more development-phase assets is to create more 'impact'.

'Among the benefits is that it adds to the supply of new renewables generation rather than just recycling capital into existing assets,' he says. 'It therefore has significant impact and clearly we need a lot more renewable energy capacity.'

The other, slightly less high-minded reason Octopus is branching out to invest in projects in development is a need to generate higher returns.

Renewables and solar developments which are already onstream, particularly those which enjoy government subsidies, are heavily in demand and therefore expensive.

A planned new listing in London, **Blackfinch Renewable European Income Trust** is looking to counter the risks associated with overpaying for assets by focusing on 'less crowded' markets.

The aim is to raise £300 million to invest in a seed portfolio of Italian and UK assets. The trust is targeting a dividend yield of 6%-plus from the third year after joining the stock market and the targeted shareholder return is 8% a year once fully invested. Longer-term the pipeline encompasses less mature renewables markets such as Italy, Portugal and countries in Central and Eastern Europe.

According to Blackfinch, the total requirements of renewable energy in Europe are currently 609 gigawatts. It is anticipated that between now and 2030, $967 billion will be spent on renewables in Europe. The capacity of solar and wind energy will see an estimated increase of 8,519GW and 6,044GW respectively by 2050.

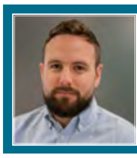
Another way renewables trusts are seeking to bolster returns is by diversifying the technologies they invest in. Solar power specialist **NextEnergy Solar (NESF)** recently announced a £100 million joint venture partnership with Eelpower, a battery storage specialist.

The joint venture is targeting the establishment of up to 250 megawatts in projects with £100 million in invested capital and has already signed its first acquisition of a 50MW standalone battery storage project.

NextEnergy became the latest UK-listed solar investor to diversify its portfolio in the last six months after **Foresight Solar (FSFL)** announced its own battery storage investment and **Bluefield Solar (BSIF)** moved into batteries and wind.

Another advantage of diversification is that solar tends to perform better in the summer and wind in the winter.

Battery storage exposure might also help during periods, such as the one we've just seen when solar and wind assets both underdeliver, as well as helping countries to be better prepared for crises like the one we currently face.

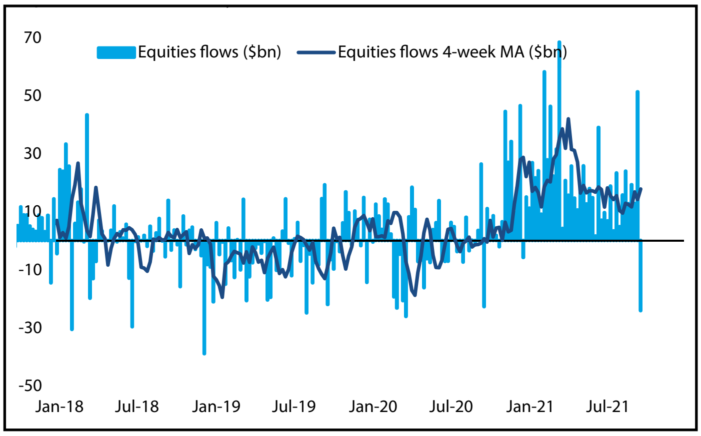


By **Tom Sieber** Deputy Editor

Energy crisis goes global… but investors in Shell are quids in

While the problems and risks are intensifying, some stocks are still making waves

First outflow for global equities in 2021 ($24.2bn)
Equities flows (weekly and 4-week moving average, $bn)



Source: Bank of America, 23 September 2021

It may have started in Europe, but the mounting energy crisis is going global as a combination of factors affecting supply and a post-pandemic surge in demand create a perfect storm.

There are two main upshots. First, the increased cost of energy could threaten to stop the post-Covid rebound in its tracks, increasing costs for businesses and affecting consumers' ability to spend.

Second, it will only add to inflationary pressures, which could in turn force central banks to tighten monetary policy, providing a further hit to economic prospects.

This combination effectively adds up to stagflation – with prices rising at a time when the economy is shrinking. This would be negative for most asset classes including stocks and shares.

The current crisis is unlikely to be at its peak, given temperatures are yet to really drop. Governments, businesses and consumers around the world will be praying for a mild winter.

According to investment bank Bank of America, natural gas powers 40% of US and UK and 20% of EU electricity and the OECD has reported that higher shipping and commodity costs have accounted for three quarters of the jump in consumer price index inflation in G20 countries in 2021.

The current turmoil has not been bad news for everybody. Shares in **Royal Dutch Shell (RDSB)** have hit their highest levels in 18 months as oil prices spiked to $80 per barrel, potentially exacerbating the current fuel shortages in the UK caused by a lack of HGV drivers and panic buying at the forecourt.

Shell also has significant exposure to natural gas after a shift in strategy over the last decade or so which included the £36 billion acquisition of gas-focused BG in 2016.

North Sea gas producer **Serica Energy (SQZ:AIM)** is up nearly 40% in the past month with the company noting an immediate benefit from the higher gas price.

The energy crisis, and some concern about the fate of US president Joe Biden's infrastructure package as we went to press, is having a negative impact on investor sentiment.

Bank of America notes that the seven days to 23 September saw the first weekly outflow from global equities in 2021 and the largest since the March 2020 correction at $24.2 billion. It said $39.6 billion had gone into cash, $10 billion into bonds and $84 million into gold. [TS]

UK investors start to lose faith in 'transitory' inflation narrative

Rising inflation expectations suggest investors have lost confidence in the Bank of England

It wasn't a surprise to investors that the Bank of England kept interest rates unchanged at 0.1% after its latest policy meeting (23 Sep), and voted to maintain bond purchases.

However, sterling gained against the US dollar and bond prices fell slightly (meaning yields went up) after the MPC (monetary policy committee) noted that some cost pressures 'may prove more resilient'.

This is a surprising change in stance and at odds with other major central banks which have maintained that the inflationary spike seen across the world is likely to be transitory caused by one-off factors driven by supply chain issues related to the sharp recovery in the global economy.

For example, US bond investors have taken the Federal Reserve's transitory assumption at face value as shown by US treasuries pricing in moderate medium-term inflation.

By contrast UK bond investors have pushed up 10-year break-even inflation rates which are now implying that inflation could well exceed the central bank's 2% target by up to 1% annually over the next decade, according to investment manager Janus Henderson.

The MPC said its own estimate of underlying pay growth had picked-up since August and was now above pre-pandemic levels while surveys suggested that UK household medium-term inflation expectations had also increased.

The current material rise in forward wholesale gas prices and knock-on effects to consumer energy bills has further tipped the balance towards inflation expectations becoming embedded.

Labour market tightness, and a shortage of HGV drivers and seasonal hospitality staff has arguably been exacerbated by the UK departure from Europe with thousands of EU workers returning home.

What this means is that the central bank has become more hawkish with the MPC saying that the case for a modest tightening of monetary policy had only been strengthened by recent data.

Markets are now pricing in an interest rate rise in March next year with two further rate rises before the end of 2022, according to Janus Henderson.

The UK wouldn't be the first major economy to raise interest rates in the post pandemic era, with that accolade belonging to South Korea which increased interest rates by 0.25% to 0.75% in August.

Across Europe Hungary, Czech Republic and Norway have already raised rates while many emerging economies have hiked rates more than once in the last few months.

It's questionable how far interest rates can be allowed to rise given the huge amounts of debt taken on by governments and companies since the start of the pandemic.

One sector of the market that is a clear beneficiary of rising interest rates is the banks, which theoretically make a higher net interest margin when interest rates rise. [MGam]

New fund to help modernise old fashioned UK companies

Castelnau will help names like Hornby to embrace the internet and hopefully generate at least 20% annual returns for investors

Phoenix Asset Management's new investment trust **Castelnau** is targeting a minimum 20% annual return by helping to modernise a group of old-fashioned businesses. **Direct Line (DLG)** and Esure founder Peter Wood will be a cornerstone investor and will work with Castelnau to jointly invest in new opportunities.

Joining the stock market on 18 October, Castelnau's initial portfolio will include stakes in toy train seller **Hornby (HRN:AIM)**, funerals group **Dignity (DTY)**, stamp dealer **Stanley Gibbons (SGI:AIM)** and wedding gifts group WLS, which are being transferred from other Phoenix funds. The portfolio will also feature stakes in digital agency Rawnet and data analytics group Ocula Technologies.

WLS and Ocula are likely to float on a stock market, potentially in 2022, but Castlenau will retain a stake in both companies post-listing. Phoenix chief exeutive Gary Channon says that Castelnau's model is to never sell out of holdings completely, making it different to most other funds and investment trusts which invest when a company is cheap and exit when it hits fair value.

Phoenix has a reputation for undertaking deep research and working closely with management teams to improve financial and operational strength.

Its investment in WLS has become a blueprint for how Castelnau might work with its other investee companies. 'WLS was an old-fashioned business. It didn't really use the internet, so we rolled out online services and used data science to improve sales and marketing. It has now surpassed Amazon and John Lewis for wedding gifts and sales are running at nearly than twice the peak 2019 level.'

Only one tenth of Hornby's sales are currently

direct to consumer and Channon believes it can reach more hobbyists using technology. For example, Hornby has a version of Airfix models which can be pieced together like Lego without the need for gluing or painting, sold under the Quickbuild brand. 'People don't know these products exist,' says the Phoenix boss. 'We can help Hornby find people digitally and sell the products anywhere in the world.'

Stanley Gibbons is in the process of digitising its library of stamps and coins and the company sees opportunities with fractional ownership, where collectors buy a piece of a stamp or coin digitally. This might even attract a new audience for Stanley Gibbons, namely people who want to trade digital assets such as cryptocurrencies and artworks via non-fungible tokens.

Castelnau will join the specialist fund segment of the London Stock Exchange where there are restrictions on trading for retail investors. This part of the market is aimed at more sophisticated investors and anyone seeking to buy the shares once listed may have to fill out a questionnaire with their investment platform provider before being allowed to trade. [DC]

Ford to invest another $7 billion in electric vehicle push

Car maker is on a roll as it transitions to the new world of transport

Plans by Ford to invest $7 billion in electric vehicle production facilities have gone down well with investors.

Shares in the car maker nearly quadrupled in price between April 2020 and June 2021 as investors snapped up stock beaten up by the global market crash, as well as the market applauding its ambition to be a major player in the electric vehicle industry.

While Ford's shares slipped back over the summer of 2021, they have started to pick up once again over the past few weeks.

Ford is to build its biggest ever factory in Tennessee and two battery parks in Kentucky in partnership with South Korean battery maker, SK Innovation, which will invest $4.4 billion.

Like many places in the world, the US has a desire to reduce emissions and make it easier for residents to switch to electric vehicles. Key to this success is making sure there is adequate charging infrastructure and making vehicles affordable to the mass market.

'This is our moment – our biggest investment ever – to help build a better future for America,' says Ford chief executive Jim Farley. 'We are moving now to deliver breakthrough electric vehicles for the many rather than the few.'

Ford's third quarter earnings will be published on 27 October where it is forecast to report $33.2 billion in revenue, according to Refinitiv, up from $26.8 billion in the second quarter. [DC]

HeiQ shares take a beating after near 70% drop in profit

The small cap has suffered from falling revenue and a big increase in costs

A SLUMP IN earnings triggered a 20% sell-off in **HeiQ's (HEIQ)** share price to 105.85p on 28 September. That means its share price has now halved year-to-date.

The materials company suffered a 14.3% drop in first-half sales to $25.8 million, partially due to delays in starting a major contract.

Compounding matters was a 7.2 percentage points decrease in gross margins to 50.2% caused by price pressures and freight and raw material cost increases. Overheads also shot up as the company invested in additional resources to support future growth.

Overall, a drop in sales and a big increase in costs saw operating profit slump 69.5% to $3.3 million.

HeiQ was a Covid winner as the pandemic drove demand for its Virobloc technology which is added to fabric and kills viruses and bacteria which come in contact.

However, this sales surge provided tough comparative figures to beat this time round. One could also argue that supply chain pressures are being seen across multiple industries, so these problems are not unique to HeiQ.

The company features in a number of small cap funds which will have taken a knock from the latest news, including **Amati UK Smaller Companies (B2NG4R3)** and **Octopus UK Micro Cap Growth (BYQ7HP6)**. [DC]

Merchants Trust: 5.1% yield and a history of beating the market

A great record and it is branching out into UK mid caps and European stocks

There are three principal reasons why we believe investment trust **Merchants Trust (MRCH)** is a great stock to own.

First, the recently published half-year results demonstrated the merits of manager Simon Gergel's investment approach. This involves searching for attractively valued companies with strong fundamentals that are expected to pay a dividend yield above or in line with the market average.

Second, historically the trust has focused on the FTSE 100 but more recently it has adopted a more eclectic style, increasing its exposure to European and mid and small companies. That opens the door to a broader range of investment opportunities.

Merchants Trust: Top 10 holdings

GlaxoSmithKline	5.1%
British American Tobacco	4.7%
Imperial Brands	4.1%
SSE	3.5%
BAE Systems	3.4%
Vodafone	3.3%
National Grid	3.2%
WPP	3.2%
Royal Dutch Shell	3.2%
St James's Place	3.1%

Source: Merchants Trust/Allianz, 31 August 2021

MERCHANTS TRUST
BUY
(MRCH) 531p
Market cap: **£662 million**

Third, the trust yields an attractive 5.1% which is one of the highest within its peer group, and the board is committed to a progressive dividend policy which can be funded through reserves.

IMPRESSIVE NUMBERS

Results for the six months to 30 July revealed net asset total returns of 19.8%, significantly ahead of 12.6% for the FTSE All-Share index.

The trust benefited from the rotation out of growth stocks and into value stocks following the announcement of the Covid-19 vaccine rollout in November. While growth stocks have subsequently been in fashion over recent months, there are some signs to suggest that investors are now taking profits and looking at value once again.

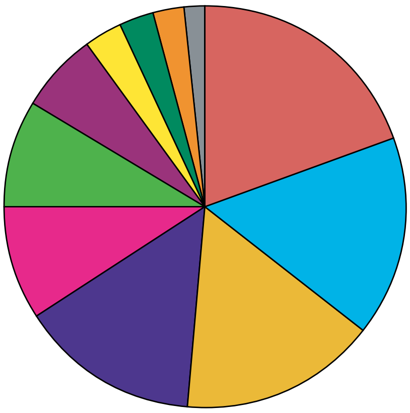
Merchants Trust's latest results vindicate the approach adopted by Gergel who adopts a three-pronged strategy to stock selection. This involves assessing a company's fundamentals, valuation and catalysts for change.

Fundamentals include the strength of a company's competitive offering, its brands, the quality of management and their ability to allocate capital.

Gergel focuses on cash generation and divided yield when assessing a company's valuation. He aims to buy good companies when they are trading below fair value.

Another facet of Gergel's investment style involves finding companies that are benefiting from long term structural trends like demographics, or technological innovation and disruption. Conversely this

Merchants Trust: Sector breakdown



Financials	19.7%
Consumer staples	16.0%
Industrial	15.7%
Consumer discretionary	14.6%
Energy	9.0%
Utilities	8.7%
Healthcare	6.3%
Communication services	3.3%
Cash	2.8%
Materials	2.4%
Real estate	1.5%

Source: Merchants Trust/Allianz, 31 August 2021

involves avoiding companies that are facing structural challenges that put the business under long term threat.

WAITING FOR THE RIGHT MOMENT

Gergel invested in **Vodafone (VOD)** last year having previously believed it was a value trap. His view has become more positive partly because the group is taking out a significant amount of costs, and at the margin he believes consumer spending on mobile phones could stabilise.

This would remove pressure on the group's revenue line and potentially be indicative of an inflection point in the company's growth rate.

Moreover, the group has the largest mobile payments business in Africa, which is a rapidly growing business.

POSITIVE ON TOBACCO STOCKS

Gergel believes there is a potential transformation story emerging for the tobacco companies. This is predicated on their transition away from cigarettes to vaping and heat not-burn devices, that are potentially a lot less harmful.

As consumers make this transition to these less harmful products, the tobacco companies could move from being in structural decline to a position of stability or growth. This could act as a catalyst for a re-rating of the sector. Admittedly growth rates for these so-called next generation products have yet to meet expectations.

LOOKING FURTHER AFIELD

The trust now has 40% of its holdings that are outside the FTSE 100 index, either in mid-caps, small caps or European companies.

The trust has recently allowed an allocation of up to 10% of the portfolio in overseas-listed shares to the portfolio to provide greater diversification.

The initial focus has been to increase the exposure to European stocks. This makes sense given that there is in-house expertise at the trust's asset manager Allianz, with a team focused on the European market based in Frankfurt.

Pharmaceuticals and reinsurance are the two areas where Gergel believes there are opportunities, the former offering greater diversity than the UK market and the latter benefiting from a marked resurgence in pricing power. This is reflected in the recent decision to add both Sanofi, and Swiss Re and Scor to the portfolio.

Gergel is also constructive on the outlook for mid-caps and his portfolio includes FTSE 250 housebuilders **Redrow (RDW)** and **Bellway (BWY)**.

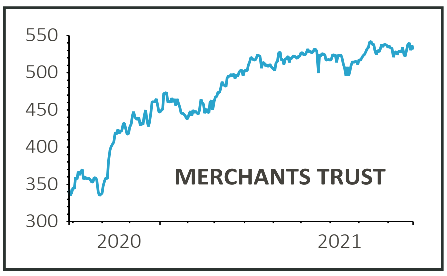
Merchants Trust pays dividends once a quarter and two payments totalling 13.6p have been declared so far this year. The board remains committed to raising the dividend for the full year, which would extend a track record that has already seen 39 consecutive years of increased dividend payments.

Past performance may not tell you what the trust will achieve in the future, but it does provide evidence of successful active fund management. Investors pay a fund manager to beat the market and that's precisely what Merchants Trust has achieved.

BEATING THE MARKET

Over the past five years it has achieved a 67.9% total return which is the share price gains and dividends. That's more than double the returns from the FTSE All-Share (31.7%), according to FE Fundinfo data.

Over the past decade, Merchants Trust has returned 150.4% versus 112.8% from the benchmark. It has a 0.61% ongoing charge. [MGar]



Buy Henry Boot ahead of a big step forward

Clear targets and a capable management team make this stock a winner

Few firms listed on the UK market can boast a 135-year history, and fewer still can claim to be run by a scion of the founding family.

With its roots in building and civil engineering, during the First World War **Henry Boot (BOOT)** grew to be a prime contractor on military buildings and hospitals. Today it comprises a group of companies investing in land and property, developing sites, constructing buildings and hiring plant and equipment.

The pandemic and the increase in home working, growing demand for homes and offices that fulfil the need for more space and air, increasing calls for urban and suburban sites that make it easier to get to work and ever-higher levels of online activity are all positive drivers for the firm.

Roughly half of group revenue comes from construction services, equipment rental and the A69 Road Link, just under 40% from property development, both residential and commercial, and the rest from land development.

The firm ended the first half of the year with a land bank capable of delivering more than 92,000 residential homes as well as build-to-rent sites in Sheffield and Manchester and logistics and warehousing sites in Yorkshire, Derbyshire, Lancashire, as well as Enfield and Luton.

HENRY BOOT
BUY
(BOOT) 281p

Market cap: £375 million

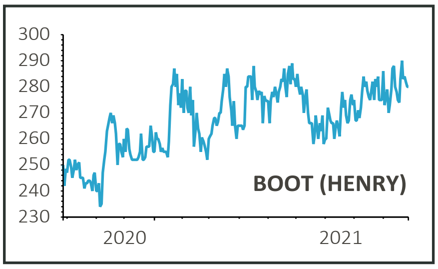
The half-year results also showed an 18% rise in revenue to £129 million and a 220% increase in profit to £23 million, ahead of management expectations, thanks to a strong performance in the logistics and warehousing market and capital gains on the sale of investment property.

Chief executive Tim Roberts is clear where he sees the business in a couple of years' time. Pre-pandemic, the firm generated £50 million of pre-tax profits but it cut back on investment last year. By increasing its capital employed from £300 million to £500 million, and targeting a 12% return, pre-tax profits are set to hit £60 million.

'We want the targets to be a bit of a stretch, but achievable', says Roberts, adding 'Our markets are supportive, and we have the operational capacity'.

Despite scaling up its investments the firm has a solid balance sheet with just £13 million of net debt, and its dividend coverage is conservative to say the least at almost six times at the interim stage. The final dividend will be higher, but coverage will still be around three times.

Other attractions, on top of its strong business franchise, good order visibility, financial solidity and clear earnings guidance, are the fact the founding family has a major (46%) stake in the business and its strong record on social and corporate governance issues. [IC]



CONTINENTAL

€96.40

Loss to date: 17%

(adjusted for Vitesco spin off)

Original entry point:

Buy at €130, 10 June 2021

AT FIRST GLANCE our call on Continental looks to have been a shocker as the shares are trading below €100 against an entry price of €130.

However, that fails to take account of the spin-off of the Vitesco power train unit earlier this month. Shareholders in Continental received one Vitesco share per five shares in the parent company.

With Vitesco shares trading at €56.80, the effective position for Continental investors is actually €107.80 (96.4+(56.8 x 0.2)) or a loss of 17% since early June.

This is due to well-documented challenges for car parts makers such as supply chain bottlenecks and a global shortage of computer chips.

However, Continental shares actually gained 2% on the day that French rival Faurecia lowered its earnings forecast for this year, suggesting investors are ready to put the current disruption in the rear view mirror and focus instead on the bright future for electric vehicles, where the company is a leading global player.

The firm recently reported its autonomous driving order pipeline had risen to €70 billion from 2022 to 2024. The company also said carmakers were increasingly demanding integrated software and services on top of their component needs, helping to drive up profit margins.

CORRECTION: The original version of this story contained an error, saying shareholders received one share in Vitesco for each Continental share held. The ratio should have read 1:5.

SHARES SAYS: ↗
We remain buyers. [IC]

QUIXANT

(QXT:AIM) 190p

Gain to date: 9.2%

Original entry point:

Buy at 174p, 19 August 2021

GAMBLING TECH FIRM **Quixant (QXT:AIM)** provided continued evidence of its recovery from the pandemic as casinos and slot machines began to be used more widely again.

The developer of logic boxes which control pay-to-play digital gaming machines saw pre-tax profit for the six months to 30 June of $800,000, compared to losses a year earlier of $3 million.

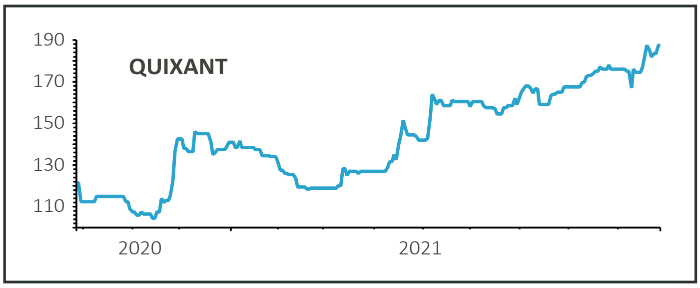
Revenue rose 31% to $36.5 million and included a 55% improvement in the company's gaming division.

'Component shortages and price inflation remain a challenge and we do not anticipate significant improvement in the short term,' says chief executive Jon Jayal.

'While our customers have been accepting of essential price rises, nonetheless we expect a period of continued margin volatility. However, our strong cash position and good relationship with suppliers, built up over many years, help to mitigate the impact.'

FinnCap analyst Lorne Daniel comments: 'We feel these results signpost the end of a difficult two years for the group.

'We now look forward to a return to sustained growth and profitability for a very high-quality, well managed business.'



SHARES SAYS: ↗
More to come. Keep buying. [TS]

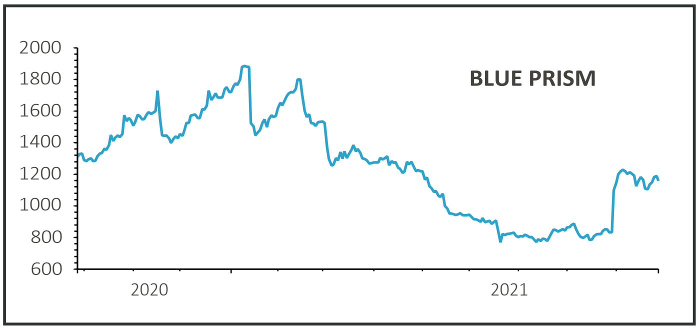
BLUE PRISM

(PRSM:AIM) £11.70

Gain to date: 50.3%

Original entry point:

Buy at 778.5p, 15 July 2021



Investors may be disappointed by the takeover terms for robotic process automation firm **Blue Prism (PRSM:AIM)**.

The £1.1 billion deal agreed with Vista Equity Partners fell short hoped for levels and saw the shares dip on the news.

While the £11.25 per share offer was pitched at a 35% premium to the price before Blue Prism revealed it had entered into talks with Vista and its rival bidder TPG Capital in August, the market was clearly expecting in a higher offer.

The company appears to be trying to win investors over to the merits of the deal by painting a reasonably bleak picture of its immediate prospects.

Blue Prism cited several operational and organisational headwinds and the difficulty in searching for a new chief executive as it responds to shareholder pressure to split the combined chairman and CEO hat currently worn by Jason Kingdon.

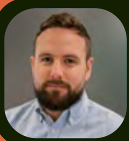
Based on the pattern of other recent takeover situations it would not be a surprise to see a higher bid surface, as the business has attractive growth prospects despite some near-term challenges.

SHARES SAYS:

Anyone owning the shares should sit tight for now and see how the situation plays out. [TS]

CHANGE IS COMING

The big stocks being targeted by activists



By **Tom Sieber** Deputy Editor

The old adage is that you should never let a good crisis go to waste and this mantra seems to be being taken seriously by activist investors as we emerge from the worst of the pandemic.

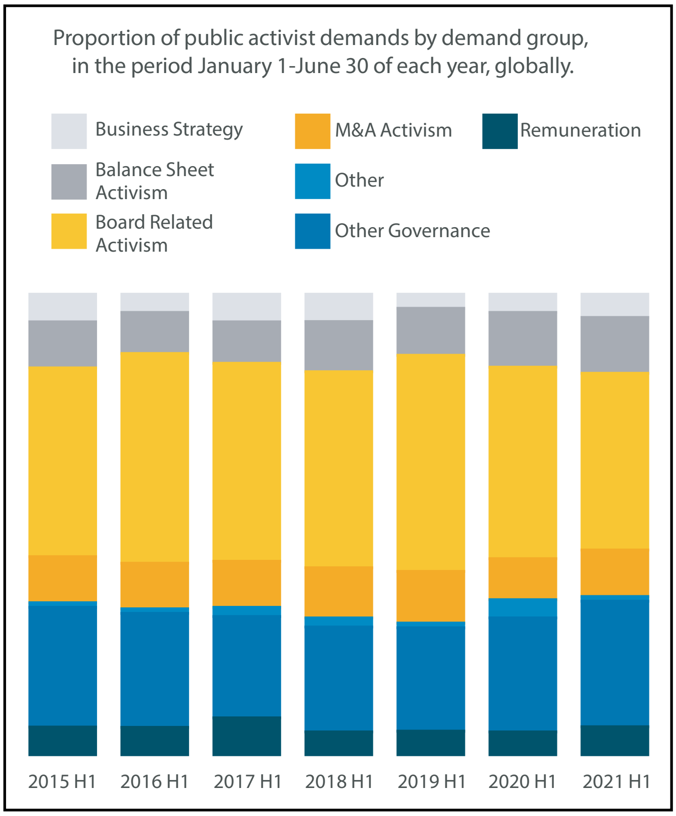
Several big UK companies have activists either circling them or they are already on the shareholder register making demands of management. In this article we look at eight different activist situations and give our take on the credibility of the changes being pushed for and how likely they are to be achieved.

While data from *activistinsight.com* shows the number of activist targets down globally on a year-on-year basis in the first half of 2021, in the UK there was a slight uptick from the first six months of 2020, though still short of pre-pandemic levels.

Activist investors vary by size and type, they can be private equity firms or hedge funds or sometimes even 'lone ranger' style individuals.

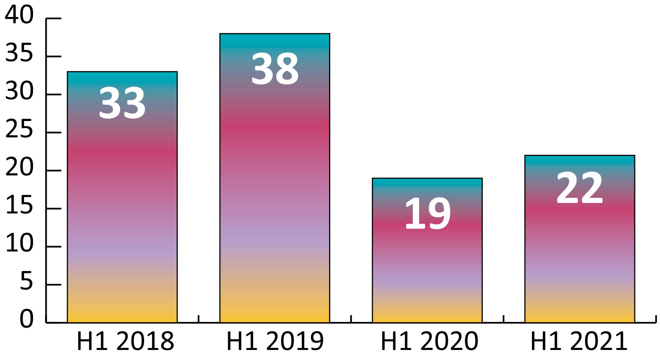
Targeting underperforming companies with misfiring management teams or businesses where the scope for a major strategic change is being missed, they will buy a stake in a business

Activist demand types %



Source: Insightia | Activist insight online

Number of UK activist targets



Source: Insightia

with the aim of leveraging this position to effect the change they want to see.

Once the fix has been delivered, the activists will typically sell their shares at a profit and ride off into the sunset.

WHAT SHOULD YOU DO?

Often activists achieve their goals, though not always, and investors who suddenly find such characters targeting a stock they own should sit tight and wait for the situation to play out given the chance of near-term value creation.

One criticism levelled at activists is they have too short a time horizon and this informs decision around areas like business investment which can have a negative impact in the longer term.

Research published in March 2021 by Mark DesJardine of Pennsylvania State University's Smeal College of Business and Rodolphe Durand of HEC Paris looked at the performance of firms targeted by activist hedge funds since 2000.

They found a 7.7% uptick in company value in the year following targeting. However, they found the value of those targeted by activist hedge funds steadily dropped, falling 4.9% four years after targeting and continuing downwards five years after targeting.

Activists' general modus operandi is to look for a seat in the boardroom through an agreement with the targeted company so they have a direct hand in company decision making.

Sometimes they will be more aggressive, particularly if faced by a lack of co-operation, looking to oust management entirely.

Among the most successful and high-profile activist investors is US-based Elliott Management, founded by Paul Singer, which achieved a notable triumph in getting **Whitbread**

(WTB) to sell its Costa Coffee business, eventually snatched by Coca-Cola for £3.9 billion in 2018.

However, in May 2021 Edward Bramson and his **Sherborne Investors (SIGC)** vehicle abandoned a long-running battle to get rid of **Barclays (BARC)** CEO Jes Staley and force the lender to ditch its investment banking operation. Bramson sold his 6% stake without ticking off any of these goals.

ACTIVIST ON ACTIVIST ACTION

AIM-quoted activist vehicle **Crystal Amber (CRS:AIM)** saw its share price slump between 2019 and 2020 and now it has been on the receiving end of a shareholder trying to shake things up.

Saba Capital Management, which has a 25% stake, has said it plans to oppose the company at a continuation vote in November which means there is a good chance Crystal Amber could be wound up.

The company seems to have struggled to create value at notable holdings like bank notes manufacturer **De La Rue (DLAR)** and oil firm **Hurricane Energy (HUR:AIM)**, both of which have seen their market valuations slump significantly in recent years.

Other activist investors, or at least ones with an activist bent, whose own shares trade on the UK stock market include Dan Loeb's **Third Point Investors (TPOU)** which, like its much smaller counterpart Crystal Amber, is being targeted by its own activist in the form of **AVI Global (AGT)**.

Along with three other shareholders the Asset Value Investors' managed trust is looking for Third Point to address an entrenched discount to net asset value.

Asset Value Investors also runs **AVI Japan Opportunity Trust (AJOT)** where its activist effort looks well aligned with a growing pressure for Japanese firms to be more shareholder friendly and improve their corporate governance.

THE NEXT BIG TARGET FOR ACTIVISTS

Unilever £40.33

Food and household goods giant **Unilever (ULVR)**, one of the largest stocks in the FTSE 100 index, has recently been touted as a potential target for activist investor Nelson Peltz, who previously lobbied for change at US peer Procter & Gamble after gaining a seat on the US firm's board.

In fairness, it's not hard to see why shareholders might want an activist to storm the castle. Since new chief executive Alan Jope, a Unilever 'lifer' who joined the firm at 18, took the top job back in May 2019 the share price has been less than stellar, falling from over £48 to under £40.

Compare this with the performance of Swiss arch-rival Nestlé, where Mark Schneider – the first 'outsider' to run the firm the firm in 100 years – has led a sweeping transformation of the business since taking the helm in 2017, resulting in a 60% rise in the shares from CHF 72 to a high of CHF 116 this summer.

Change is afoot at Unilever, although it is painfully slow. After the strategic decision was taken two years ago, this month finally sees the auction of part of the firm's tea division, which includes leading brands such as PG Tips and Liptons.

Bidding is expected to be fierce, with several private equity firms along with the Abu Dhabi and Singapore sovereign wealth authorities jostling to own the business, which is estimated to be worth around £4 billion.

With tea demand waning in recent years in favour of coffee, selling part of the business is a good start in terms of refocusing Unilever on its core home and personal care brands. It also provides a cash pile to buy into faster-growing sectors such as skincare, where the company bought digital-led brand Paula's Choice earlier this year.

However, shareholders are looking to activists such as Peltz to speed up the streamlining process. An obvious decision, following the disposal of most of the tea brands, would be to sell or demerge other parts of its food and refreshment division which includes iconic brands such as Bovril and Magnum.

Then there is the question of Hindustan Unilever, the firm's separately quoted emerging market subsidiary whose shares have soared this year. Unilever's 62% stake is worth roughly £40 billion, as flagged recently by fund manager Nick Train, around a third of Unilever's total market value.

Selling a 10% stake, say, could raise over £6 billion or more than half as much again as the sale of the tea assets and still leave it with a majority stake to tap into its emerging market audience of two billion customers. [IC]

COMPANIES ALREADY IN PLAY

Aviva (AV.) 404.1p

Activist: Cevian Capital

Any illusions on life insurance firm **Aviva's (AV.)** part that it would have earned some breathing space from activist Cevian Capital after revealing plans to return £4 billion of capital to shareholders have been quickly disabused.

In fact the Swedish investor responded by upping its stake above the 5% threshold which will allow it to requisition shareholder meetings and have resolutions included at AGMs.

Aviva has already sold eight global businesses, netting proceeds of £7.5 billion, since CEO Amanda Blanc took the helm in July 2020. Before Blanc's appointment her predecessors had delivered years of lacklustre returns.

However the £4 billion pledged to investors fell short of the £5 billion demanded by Cevian and it reiterated this call in the wake of the capital return being unveiled.

Cevian is also pushing for the insurer to go further and faster on slashing expenses – looking for it to take out costs of £500 million by 2023. However, the Stockholm-headquartered firm has struck a fairly conciliatory tone with Aviva.

On the assumption you catch more flies with honey, this constructive approach might make it more likely it achieves it goals. It seems management have got the message, after a recent meeting with Blanc and her CFO Jason Windsor, Berenberg analyst Kathryn Fear commented that both were 'keen to highlight that there is more to come with regards to growth, cash and dividends'. [TS]

Clinigen (CLIN) 637p

Activist: Elliott Investment Management

Elliott has built a 5% stake via derivatives in specialist pharmaceutical products and services group **Clinigen (CLIN:AIM)**.

Clinigen is a global leader in supplying unlicenced medicines and was built through the merger of three different companies in 2010.

It isn't clear at this stage what the activist is demanding but there has been speculation that Elliot is agitating for a break-up of the company.

Clinigen has been through a torrid 18 months which includes two profit warnings, a reorganisation of the group into two divisions and the departure of its non-executive chairman and chief financial officer Nick Keher after only two-and-a-half years in the job.

A former director of Jazz Pharmaceuticals, Elmar Schnee has been appointed chairman and non-executive director.

In the past the company has been criticised for operating disparate businesses which appeared to offer few operational synergies and where it was hard to see how they fitted into a coherent strategy.

Subsequently management divested non-core activities and simplified the group structure into a company with two divisions: products and services.

In the latest update (16 Sep) management refined its strategy once again, saying it would focus resources on its services division which is seeing strong demand and new contract wins.

Meanwhile the products division will be streamlined and simplified after being impacted by Covid-related delays to hospitalised cancer treatments.

The shares are trading on a low multiple (11 times forecast earnings) despite good growth potential for all the reasons outlined, but investors should be patient to see if value can be unlocked via a break-up or outright sale. [MGam]

GlaxoSmithKline (GSK) £14.15

Activist: Elliott Management

Elliott believes that **GlaxoSmithKline (GSK)** has a hitherto untapped 'substantial' value creation opportunity which it has identified and is willing to help shareholders extract.

The activist believes that with the right strategy and execution the business could be worth 45% more than the £13.40 it was trading at before its stake was purchased.

The main claim is that management have persistently failed to capture opportunities which has resulted in poor financial and share price performance. Elliott highlight that over the last 15 years the company has slipped being the third largest pharma company to eleventh.

While applauding management for initiating the separation of the pharmaceuticals (new GSK) and consumer healthcare divisions, Elliott wants GSK to add more scientific and biopharmaceuticals experience to the board ahead of the demerger.

Elliott do not believe that current chief Emma Walmsley is the right person for the job, but the board of GSK has reiterated its support for her to remain at the helm post demerger.

Just before going to press another activist investor Bluebell Capital took a €10 million stake in GSK and is pushing for change at the top, saying Walmsley should reapply for her job.

GSK has embarked on a significant four-year transformation to improve growth and profitability which it says has the support of major shareholders.

Shares believe that GSK has a good business with lots of potential for increasing value for shareholders. We think a combination self help and outside intervention should be a helpful in the long term. [MGam]

Sainsbury's (SBRY) 295p

Activist: Vesa

There was a time, following its failed attempt to merge with rival Asda, when **Sainsbury's (SBRY)** was among the most-shorted stocks in the UK market.

However, since the arrival of activist investor Daniel Kretinsky, the 'Czech sphinx', most hedge funds have closed their positions, with just a trio of investors left betting against it.

Krentinsky, whose Vesa investment fund controls 9.6% of Sainsbury's shares as well as 40% of German supermarket group Metro, 5% of French hypermarket giant Casino and a 16% stake in **Royal Mail Group (RMG)**, typically invests in businesses undergoing change.

The official line from Vesa is its investment in Sainsbury is a 'strategic minority participation' in a company it views as 'attractive', but true to his moniker we suspect Kretinsky likes to keep a veil of mystery around his actions while moving for change.

Interestingly, the firm hasn't denied recent press reports suggesting it is in talks with a US private equity firm to sell its banking arm for £200 million.

Sainsbury put in a lot of work to make its banking business profitable during the pandemic, despite a drop in credit demand and an increase in provisions for potential bad loans, so now could be the time to cash in. [IC]

SSE (SSE) £16.52

Activist: Elliott Management

Given its track record, utility **SSE's (SSE)** initial dismissal of calls from Elliott Management for a break-up of the business is unlikely to be the last word on the matter.

Elliott, which secretly built a stake in the business over the course of summer 2021, is reportedly looking for the company to spin off its renewable energy division from the more traditional thermal power stations and transmission grid business.

It's not too hard to see the rationale behind Elliott's push for a separation. According to Refinitiv data SSE trades on a May 2022 price to earnings ratio of around 18 times, a notable discount to Danish pure-play renewables firm Orsted which is on a forward PE of more than 30.

SSE has built the most substantial portfolio of renewable energy assets in the British Isles and, in the form of the 3.6 gigawatt Dogger Bank, is building the world's largest offshore wind farm

However, some analysts believe the other bits of the business help make the overall group more resilient.

SSE hasn't delivered a straight 'no', just that there has been no decision yet. Elliott is unlikely to be easily dissuaded but may sit tight until after SSE's first half results on 17 November when it is set to deliver a big strategy update. [TS]

Superdry (SDRY) 281.5p

Activist: Gatemore Capital Management

Activist investor Gatemore Capital Management started building a position in **Superdry (SDRY)** in 2019, actively supporting the return of charismatic co-founder Julian Dunkerton as CEO and his plans to revitalise the fashion brand.

London-based Gatemore manages an activist strategy focused on turnarounds, recoveries and growth opportunities, principally across the UK and US. According to the Gatemore website, whereas most active managers focus solely on identifying value, its strategy 'is based on creating value'.

At last count, it had a 6.31% stake in jackets-to-hoodies seller Superdry, famed for its Japanese-style logos, held through the Gatemore Special Opportunities Master Fund. Gatemore will doubtless be heartened by the evidence Superdry is battling back from the pandemic, though with the company still loss-making they are unlikely to let up on the pressure for improvement.

Recent results (16 Sep 2021) for the year to 24 April 2021 revealed a near-70% narrowing of adjusted pre-tax losses to £12.6 million on sales down 21.1% to £556.1 million.

Encouragingly, the sales recovery seen in the fourth quarter continued into the 18 weeks to the end of August 2021 as Covid restrictions eased and store sales rebounded. Store and wholesale revenues are recovering well despite continued subdued footfall, and Superdry's e-commerce margin is benefiting from a return to a full price stance.

Much of Dunkerton's work has been around rebuilding the integrity of a brand which had been squandered under previous management. But if his plan doesn't deliver in the short term Gartmore might push for more radical action – this might, for example, involve a reduction in its relatively large store estate. [JC]

WH Smith (SMWH) £16.87

Activist: Causeway Capital Management

Currently calling for boardroom change at **Rolls-Royce (RR.)**, US activist Causeway Capital Management has amassed a 9.28% stake in **WH Smith (SMWH)**.

California-based Causeway clearly expects a recovery in global travel will revive the fortunes of the FTSE 250 books, magazine and snacks purveyor, which has been hit hard by the pandemic.

Causeway originally bought into WH Smith during its emergency cash call at the beginning of the Covid crisis and became the retailer's biggest shareholder after upping its stake following a mild earnings alert (1 Sep).

Rather than pressing for change however, Causeway is a 'firm' believer in WH Smith's strategy and management team and has 'confidence in the long term growth potential of the business'.

That might change however. In its latest update, WH Smith warned profits for the year to August 2022 will be at the lower end of expectations due to uncertainty over the travel sector and accounting finance charges linked to a bond issue.

The good news is the retailer highlighted improving trends in its high street and travel businesses, with the latter dependent on a recovery in international airport and railway station footfall.

Assuming this recovery materialises Causeway might be minded to push for a separation of the travel arm from the structurally challenged high street division. [JC]

JAPAN – RESILIENCE IN A TIME OF CRISIS

Covid-19 may have been less catastrophic than the seismic events regularly afflicting the island nation, but the stay-at-home 'demand shock' of the pandemic may ultimately have a bigger impact on consumption patterns than recurrent earthquakes and tsunamis.

The value of your investment and any income from it can go down as well as up and as a result your capital may be at risk.

To the managers of Baillie Gifford's Japanese Fund, 2020 demonstrated the country's impressive resilience in times of crisis, while boosting some of its most exciting companies. Performance throughout the year further justified managers' belief in Japan's underappreciated potential and range of opportunity.

Long-familiar names as well as relative upstarts within this concentrated, low-turnover portfolio have emerged in good shape, defying the pandemic just as they have the country's endemic problems with demographics, its deflationary mindset and its weakness for sub-optimal corporate governance.

The fund's most obvious strength is its 30 per cent weighting in internet-based companies. Key beneficiaries of shifting consumption habits, they have long been seen by managers as a strong source of future growth. Ecommerce penetration in Japan is still low by global standards and the rate of catch-up looks set to accelerate post-Covid. On the other side of that coin, managers have trimmed some big name offline 'old Japan' companies, including some that the market still generally favours.

But it's not just 'new Japan' companies, such as ecommerce pioneers Rakuten and GMO Internet, or gaming and social media companies such as Mixi and Gree that excite Japanese Fund stock-pickers. They are also looking at opportunities that emerging technologies offer Japanese world-beaters such as tire maker Bridgestone, and robotics specialists Fanuc and SMC.

Against a background of heavy blows to demand and profitability across corporate Japan, performance has vindicated the Japanese Fund managers' belief that diverse stock-picking themes and growth styles (secular growth; growth stalwarts; special situations and cyclical growth) are the best insurance against contingencies and shifting consumer behaviour.

ANNUAL DISCRETE PERFORMANCE

	30/06/16-30/06/17	30/06/17-30/06/18	30/06/18-30/06/19	30/06/19-30/06/20	30/06/20-30/06/21
Baillie Gifford Japanese Fund - Class B-Acc (%)	34.6	16.1	0.4	4.7	18.0
TOPIX (%)	24.2	9.5	-2.1	6.1	10.7
TOPIX+1.5(Target) (%)	26.1	11.1	-0.7	7.7	12.4
IA Japan Sector Average (%)	24.9	10.7	-3.4	7.8	13.2

Past performance is not a guide to future returns

All data as at 31 July 2021 and source Baillie Gifford & Co Limited unless otherwise stated. Past performance is not a guide to future returns.

Performance source: StatPro, FE, Tokyo Stock Exchange, total return in sterling.

The manager believes that the TOPIX +1.5% is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Japan Sector.

Changes in the rate of exchange will cause the value of any investment, and income from it, to fall as well as rise and you may not get back the amount invested. The Fund's share price can be volatile due to exposure to a single market, a single currency, movements in the prices of the underlying holdings and the basis on which the Fund is priced.

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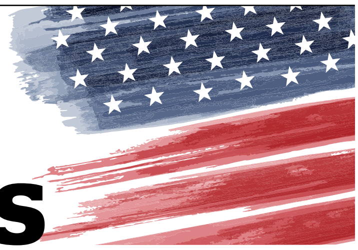

US trust stars earning their stripes

Upside stateside: the investment trusts to help you tap into Uncle Sam's best opportunities

While the US equity market has had a stunning rally off the Covid lows, with many commentators seeing a bubble ready to pop, investors simply cannot afford to ignore what remains the world's largest and most liquid stock market.

For those retail investors that just don't have the time to monitor news flow from individual companies, entrusting cash to a professional fund manager with proven pedigree in backing US winners can be a sensible option. While past performance is no guarantee of future returns, investment trusts with formidable long-run performance records are a great place to start.

'JAM' TODAY?

Within the Association of Investment Companies (AIC) North America sector, the best performer on a 10 year share price total return basis is **JPMorgan American (JAM)**, which has generated a stellar 390.9% haul.

Managed by Jonathan Simon and Timothy Parton, this capital growth-focused trust aims to outperform the S&P 500 index and we like its explicit exposure to both the growth and value investing styles, which leaves 'JAM' looking well-equipped to navigate future style rotation in what is a frothy-looking US market.

Top portfolio positions at the end of August included Microsoft, Apple and Google-owner Alphabet, not to mention the likes of Amazon, Bank of America and drug company AbbVie.

A more recent portfolio addition is Deere & Co, a leader in agricultural equipment including tractors which is developing cutting-

US OPPORTUNITIES

AIC North America - 10 year stars			
Trust	**Ticker**	**10 yr share price total return (%)**	**Discount/premium**
JPMorgan American	JAM	390.90%	-4.14%
Canadian General Investments	CGI	288.25%	-33.86%
North American Income	NAIT	229.04%	-6.36%
AIC North American Smaller Companies			
JPMorgan US Smaller Companies	JUSC	456.56%	-3.53%
Brown Advisory US Smaller Companies	BASC	255.44%	-12.19%

Source: The AIC website, 23 Sep 2021

edge technology, including using AI to drive automation, which significantly increases productivity for farmers.

NAIT FOR INCOME

Investors seeking an income stream from across the pond could look to **The North American Income Trust (NAIT)**, trading on a 3.7% yield and with a decade-long 229% share price total return according to AIC data.

Steered by **Abrdn (ABDN)** duo Fran Radano and Ralph Bassett, NAIT invests for above-average dividend income and long-term capital growth, mainly from a concentrated portfolio of dividend paying S&P 500 stocks.

NAIT also has licence to invest in Canadian stocks and US mid and small caps (valued at less than $10 billion) as a way of accessing diversified sources of income, which is also augmented by option writing activity.

Other products in the AIC North America sector include a fund with a focus on disruptive US growth companies, both listed and unlisted. **Baillie Gifford US Growth (USA)** was launched in March 2018 by the manager which runs the hugely popular

Scottish Mortgage Investment Trust (SMT).

Baillie Gifford US Growth's managers Gary Robinson and Kirsty Gibson look to identify and own the exceptional growth companies in America, with Amazon, Tesla and Moderna passing muster with the pair.

Another vehicle is **BlackRock Sustainable American Income (BRSA)**, formerly BlackRock North American Income Trust, which retains its income focus but has also incorporated a sustainable investment approach, reduced the number of holdings and removed a previous focus on large caps to allow the managers flexibility to introduce more mid caps into the portfolio.

US SMALL CAP FUNDS EXCITE

Two trusts inhabit the AIC North American Smaller Companies sector. **JPMorgan US Smaller Companies (JUSC)** has generated a stellar decade-long return of 456.56%.

Research firm Kepler argues the trust offers investors 'a measured approach to a small cap sector that is increasingly characterised by volatility stemming from "meme" stocks and expensive, low-earning companies.

'Yet by only investing in quality companies, the managers have created a generally resilient portfolio. The JUSC team believe that their portfolio of reliable companies will be carried by the strength of the companies' earnings and management.'

Brown Advisory US Smaller Companies (BASC) has hitherto lagged its sole sector peer with

a 255.44% haul and trades at a 12.2% NAV discount that could interest bargain hunters. Formerly Jupiter US Smaller Companies, the latter trust's name was changed in May 2021 after Brown Advisory took over the mandate on 1 April.

We are positive about its prospects under new manager Chris Berrier, which is why we added it to our *Great Ideas* list in July. Berrier's proven process sees him hunting for opportunities within an 'advantaged universe' of companies with pricing inefficiencies he can exploit; analyst coverage becomes thinner the further down the market cap spectrum you go.

The Baltimore-based stock-picker aims to find firms that can demonstrate consistent growth ahead of the market over the long run, usually by opening up a new market, dominating a niche, or by having a differentiated business model or product.

He focuses on companies that possess what he describes as '3G' qualities: durable growth, sound governance and scalable go-to-market strategies. Unsurprisingly, such high-quality assets pop up on the radars of potential bidders before too long, and Berrier's small cap strategy routinely benefits from premium-priced takeovers.

Companies passing muster with Berrier include the likes of Workiva, a SaaS platform expanding its capabilities in the financial management space, mobile games developer Zynga, and solid waste-to-recycling services company Waste Connections.

In June, Winterflood analyst Emma Bird wrote she could envisage a re-rating for the trust in time, adding that in virtual meetings with Berrier, the Winterflood team had been 'impressed with the depth of the firm's research process and the breadth of the wider investment team.

'In the diverse marketplace of US smaller companies, we consider this a considerable advantage. In our opinion US small caps are well-suited to a listed, closed ended fund and we would expect the new investment teams to take advantage of the structure in time by embracing greater liquidity risk and deploying gearing when appropriate.'

James Crux,
Funds & Investment Trusts Editor

KNOW THE SCORE

If you thought ESG scores simplify ESG investing, you would be right, but not in a good way.

The value of an investment in the fund, and any income from it, can fall as well as rise and investors may not get back the amount invested.

We believe that, in many cases, passive high-yield investing underperforms its active equivalent. By contrast, owning handpicked, resilient companies allows us to capitalise on the market's imperfections. But what of passive environmental, social and governance (ESG) investing? Is this one area where a simple, rules-driven approach does pay?

The assessment of issuers is often based on an external ESG rating, but the scoring criteria don't always include some of the most important dimensions of a company's value, such as culture, customer loyalty and capacity to innovate.

Even assuming external scores are perfect, if clients want to direct capital towards a sustainable future, why limit that support to companies already considered 'sustainable'? If 'controversy is only dreaded by the advocates of error', should capital not support businesses that seek to rectify and compensate for any ESG weaknesses?

Digi Communications is the leading provider of internet, pay TV and mobile services in Romania and a significant investor in the country's infrastructure, driving socioeconomic empowerment and enabling people in disadvantaged areas to connect. Despite some historic governance risks relating to business ethics, which we felt had been addressed by new policies in 2020, we took a small holding as we couldn't identify any financially material penalties via stress testing. Instead, we are being rewarded with a yield premium versus European incumbent peers.

We engaged with Digi Communications to challenge management on internal policies and to monitor its planned improvements – adjusting our holding depending on progress. While Digi didn't warrant a perfect score, this company-specific and nuanced approach to ESG does matter.

When it comes to ESG investing, we look beyond numbers and engage with companies. This is how to create actual change.

ANNUAL DISCRETE PERFORMANCE
HIGH YIELD BOND FUND

	30/06/16-30/06/17	30/06/17-30/06/18	30/06/18-30/06/19	30/06/19-30/06/20	30/06/20-30/06/21
Class B-Inc (%)	12.6	1.7	6.7	-0.6	9.6
IA £ High Yield Sector (%)	10.4	1.0	5.2	-2.3	13.5

Performance source: FE, total return in sterling.

Past performance is not a guide to future returns.

The manager believes this is an appropriate comparison for this fund given the investment policy of the fund and the approach taken by the manager when investing.

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Lendinvest is shaking up property finance

Company's differentiated and digitised offering has huge potential

Recent AIM addition **LendInvest (LINV:AIM)** is an asset management platform focused on property finance but the story is more exciting than you might think at first glance.

Its CEO Rod Lockhart tells *Shares* how its differentiated technology is disrupting the property finance sector.

Lockhart also outlines future avenues of growth for the group. These include attacking the specialist home owner mortgage market and licensing LendInvest's software to banks and building societies.

LendInvest's asset management platform comprises two elements. On one side investors use the platform to invest in property loans that LendInvest originates.

On the other side, LendInvest provides landlords and developers with buy to let mortgages, development loans and short term property finance. At the core of LendInvest's offering is an end to end technology platform that makes it considerably easier than traditional options to invest into property loans as well as to borrow.

LendInvest floated on AIM in July with a £255.6 million market cap and is up 18% since listing. It has been profitable since 2015 and has grown its assets under management by a compound annual growth rate of 48.2% from £326 million at 31 March 2017 to £1.6 billion as at 31 March 2021.

PROPERTY FINANCE IS RIPE FOR DISRUPTION

The property finance sector is unique in that it has largely remained immune to disruption. Lockhart explains that within property finance 'the majority of lenders continue to use antiquated technologies, systems and services'. LendInvest have digitised this process. Lockhart outlines a couple of specific examples.

For a borrower KYC (know your customer) and AML (anti-money laundering) regulations normally involve documents being certified by solicitors and distributed to other parties involved. LendInvest facial recognition software enables borrowers to verify their identity by uploading their passport details through a mobile phone link. This prevents the need for a paper audit trail.

LendInvest also uses open banking which circumvents the need to piece together a multitude of bank statements to verify income. This avoids downloading bank statements and sending them on to a broker, who then in turn forwards them to the lender. At this point in the process, the lender invariably asks for additional information which creates friction for the broker, borrower and lender, thereby slowing down the lending process.

Open banking can reduce the income verification time from 30 minutes to less than five minutes. Lockhart explains: 'These are simple technologies that other digitally native fintech companies have been using within the financial services sector, but have only recently been incorporated within the property lending process.'

To date, LendInvest has invested approximately £50 million on developing its cloud based technology platform that automates the loan application process. This enables

LendInvest to compete on the quality of its service, in a market dominated by legacy paper-based processes.

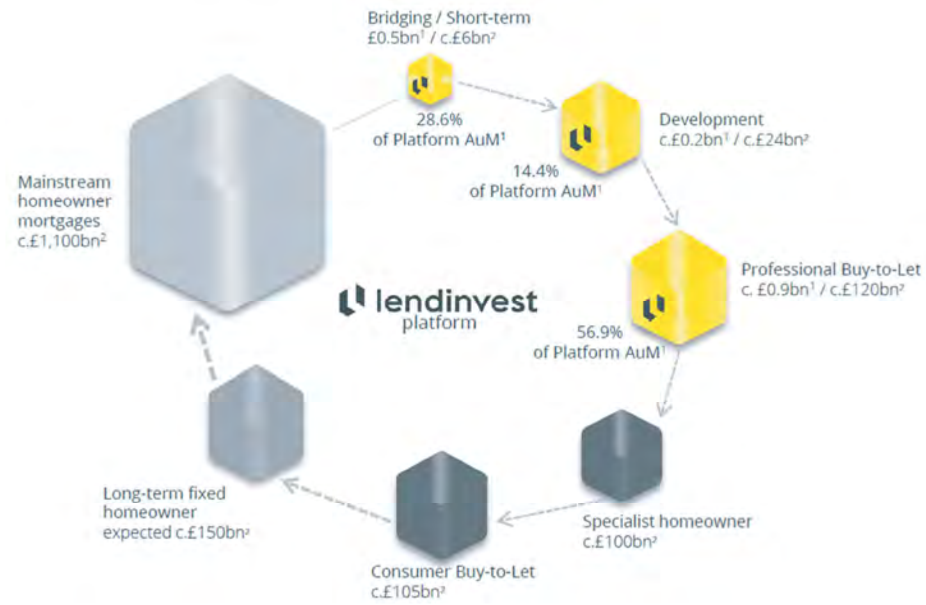
THE MARKET OPPORTUNITY

According to Bank of England estimates the UK property finance market is huge with £1.5 trillion of property finance loans outstanding. This equates to approximately £300 billion each year of annual originations (people applying for loans). Consequently there is huge capacity in the market for LendInvest to grow.

LendInvest currently provides bridging, development and buy to let mortgages equivalent to only 1.1% of the £1.5 trillion of total outstanding property loans. These three segments constitute annual originations of £42 billion a year, indicating the scope for the group to grow within these areas. The market is also highly profitable and benefits from secular growth due to the undersupply of housing and the high house prices relative to incomes.

Another growth opportunity for the group is the specialist home owner mortgage segment. LendInvest will target self-employed and contract workers with complex earning patterns or income streams that were interrupted by the pandemic. The same technology that underpins the group's current buy to let offering can be utilized in the specialist homeowner market. According to recent research by Berenberg this segment represents a £105 billion market opportunity.

LendInvest's current products and future market potential



Source: Company reports, Bank of England. Notes: 1 LendInvest platform AUM per product/proportion of platform AUM at 31 March 2021; [2] Market sizing based on privately commissioned market report

SOFTWARE LICENSING POTENTIAL

Looking further forward LendInvest would like to attack the mainstream home owner mortgage space. However the group does not intend to compete directly with the banks and building societies. Rather LendInvest will adopt a licensing model whereby incumbent mortgage providers pay a licensing fee to access the group's software and service. Lockhart says: 'This will provide the banks and building societies with the necessary tools to originate loans as effectively as LendInvest can.'

LendInvest is well positioned to further disrupt the property finance sector which is a large, profitable market. The group offers a superior customer experience by automating the loan application process.

LendInvest has a scalable technology platform and provides institutional investors with access to an attractive asset class that ordinarily would be out of reach. This has been made possible due to the considerable investment that has been made in developing its cloud-based technology platform.

There are considerable growth opportunities in adjacent markets, and longer term the possibility of licensing its technology to banks and building societies.

The group is trading on a 2022 prospective price to earnings ratio of 28.5 times falling to 15.5 times in 2023. According to house broker Berenberg, a sum of the parts valuation implies an equity value of £375 million, equivalent to share price of 270p. This would imply 26% upside from current levels.

By **Mark Gardner**
Senior Reporter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GOLD AWARD
Autumn 2020
Capital at risk.
Pension rules apply.

How to profit from Bollinger Bands

This technical trading tool is useful for identifying when prices are trending or about to break-out

Bollinger Bands are a technical trading tool developed by John Bollinger in the 1980's and were designed to capture high and low-price movements in relation to their trend.

The two bands are dynamic which means the distance between them widens and narrows along with rising or falling share price volatility. Volatility refers to the jumpiness of the shares.

USING STANDARD DEVIATION

Bollinger used standard deviation to measure volatility, which is a popular statistical technique. It measures how far the current share price is away from trend or the average price over the last 20 trading days. The default setting is two standard deviations, which captures 95% of values.

The indicator consists of an upper and lower band which move around the trend or average price, represented by a simple moving average, with the default setting at 20 days (or periods). Note on the *Shares* website the average line isn't shown on the charts.

As a reminder of how to find the Bollinger Band indicator on the website, first choose a stock in the search box. We have picked **AstraZeneca (AZN)**.

Underneath the menu bars and the share price data is an intraday chart, and underneath that click on the link to Advanced Charts.

Above the bar showing the date range is the cog-shaped Settings icon with a drop-down menu. Click on Events and Indicators and scroll down to Bollinger Bands and check the box.

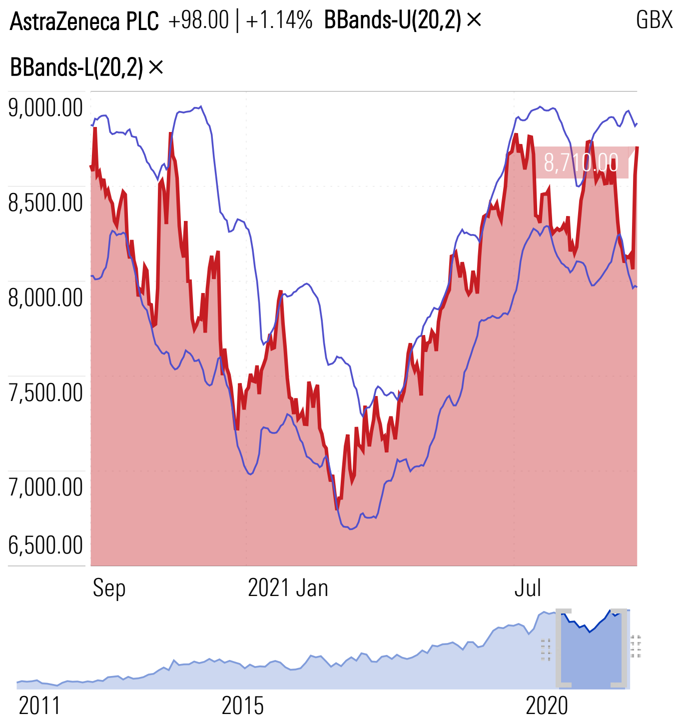
Uncheck the volume box and any other checked boxes.

Then click on the one-year timeframe. Note that you can also change the timeframe by moving the brackets beneath the chart.

HOW TO USE BOLLINGER BANDS

There are several ways to use Bollinger Bands, but we will focus on two of the most popular.

Bollinger Bands can be used to help identify strong and persistent price trends which we demonstrate with the price chart of AstraZeneca. When the price 'tags' the upper band consistently and only pulls back to the middle of the band, it shows a strongly trending price.



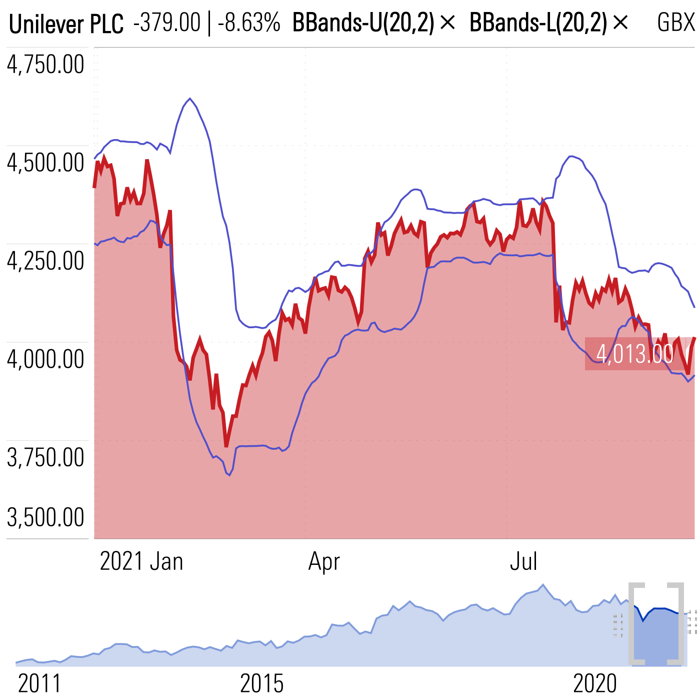
Think of it as the price constantly stretching the average upwards, indicating a persistent move.

As the chart shows, after five months of falling prices, in the middle of March the price 'tags' the upper band from which the price retraces to roughly the middle of the band, indicating a strong price trend.

Notice that by the end of April the bands are now pointing upwards, confirming the direction of travel. From the first tag of the upper band on 22 March to the peak on 5 July the shares gained 19%.

This Bollinger Band chart pattern is sometimes called 'walking the band' and can be very profitable.

The second pattern we explain is sometimes called the 'squeeze' and refers to a compression of volatility which can be identified by the bands narrowing.



This pattern indicates indecision and directionless trading which is often followed at some point by a 'breakout' where the volatility or band width 'explodes' wider. The key is to follow the direction of the breakout.

A good example is household goods giant **Unilever (ULVR)** whose shares went sideways from the end of May 2021 until the middle of July.

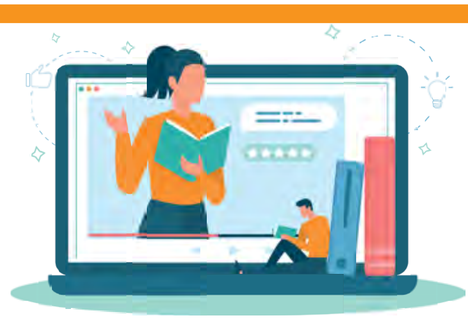
The width of the bands narrowed significantly, showing market indecision and lack of volatility, confirming the squeeze pattern 'set up'.

The situation changed on 22 July after Unilever announced that second quarter revenues had grown 5%, beating estimates but also flagged increasing inflationary pressure.

The shares fell on the news taking the price below the lower Bollinger Band which caused the bands to widen and volatility to spike, which ultimately saw the shares drop 10% by the middle of September.

Bollinger Bands are useful because they can highlight strong price trends and potential breakouts by providing unique information about share prices in relation to their volatility.

John Bollinger is considered one of the leading technical analysts and has written several books covering this area including *Bollinger on Bollinger Bands*.



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USING MOVING AVERAGES

UNDERSTANDING RELATIVE STRENGTH

By **Martin Gamble** Senior Reporter

Retail hits top of earnings momentum rankings

Housing-related stocks in runner-up spot, Spire gets the wooden spoon

In our latest screening of FTSE 350 stocks with the biggest one-month upgrades to earnings per share forecasts for this year and next year, the clear winners in terms of numbers are retailers.

Heading the field, somewhat surprisingly, is clothing and sportwear group **Frasers (FRAS)**, best known for its pile-it-high-and-sell-it-cheap Sports Direct chain which accounts for more than 50% of sales.

The reason for our surprise is that Frasers specifically declined to give any financial guidance when it reported its full year figures in August. Yet analysts have lifted up their forecasts for this financial year and the next by an average of 30%.

The upgrades to footwear retailer **JD Sports (JD.)**, homewares seller **Dunelm (DNLM)**, department store owner **Marks & Spencer (MKS)** and DIY chain **Kingfisher (KGF)** make more sense to us, and paint a picture of a healthy outlook for consumption through the end of this year and into 2022.

For Dunelm, Frasers and Kingfisher, above-trend earnings for the last 12 month are seen 'normalising' at a lower level in the next financial year before picking up the year after. For JD and M&S, however, earnings are seen powering ahead from 2020-21 levels over the next two years.

The next best cluster of earnings per share upgrades are in housing-related stocks.

Residential landlord **Grainger (GRI)** has the biggest upgrade for this financial year at 9%, but up-market house builder **Berkeley Group (BKG)** has the best two-year average at 7% this year and next. Building materials firms **CRH (CRH)** and **Grafton (GFTU)** share an average growth rate of 4% to 5% for both years.

Among individual stocks, the biggest combined one-year and two-year earnings upgrades go to venture capital firm **Draper Esprit (GROW)**, presumably due to the successful float of online car seller Cazoo which valued the business at $7 billion.

An honourable mention goes to equipment hire firm and FTSE 100 stalwart **Ashtead (AHT)** whose shares have also risen more than 70% this year after it raised its earnings guidance several times.

The biggest earnings downgrade is for **Spire Healthcare (SPI)** which experienced high levels of patient and consultant cancellations in July and August and warned the same could happen for the rest of the year.

FTSE 350 stocks - biggest earnings revisions

Company	One-month change in current year earnings per share consensus forecast	One-month change in next year earnings per share consensus forecast
Draper Esprit	47%	24%
Frasers	27%	32%
JD Sports Fashion	23%	13%
Ashtead	15%	14%
Dunelm	9%	8%
Grainger	9%	3%
Berkeley	7%	7%
Marks & Spencer	6%	2%
Kingfisher	5%	3%
Spire Healthcare	-69%	-2%

Source: Stockopedia, 23 September 2021

By **Ian Conway**
Senior Reporter

Pros and cons of ethical investment

Navigating the ESG minefield can be a challenge and you need to be pragmatic

On 4 October *Good Money Week* kicks off. A mini-festival of talks and events designed to raise awareness of sustainable investing, an area of the market which is experiencing booming growth.

In 2020, £11 billion was ploughed into sustainable investment funds, and so far this year, a further £8 billion has been invested by retail investors.

The investment industry has responded with a flood of fund launches focused on ESG (environmental, social and governance) themes to meet demand, as more and more people have plumped for ethical investment options.

ESG CAN BE A MINEFIELD

While the additional choice available to investors is to be welcomed, choosing an ethical investment can be a bit of a minefield, and investors should be aware of the risks and limitations of this approach, as well as the benefits.

There are a number of reasons investors have been buying ESG funds of late. Some people don't want their money funnelled into companies engaged in activities they disapprove of, such as tobacco sales, or oil production.

Others want their money to have a positive impact on the environment, or society, by investing in companies that are working to improve health, or forestall climate change.

All these investors would probably like a good return on their money, but for others this is likely to be the only motive. After the US presidential election last November, we saw a wave of money flowing into companies set to benefit from Joe Biden's green policy agenda.

This wasn't the action of investors who suddenly decided overnight they wanted to invest their money ethically, it was the result of (mainly institutional) investors placing bets on the companies that would benefit financially from infrastructure spending on renewable energy projects.

PUTTING IN THE ELBOW GREASE

If you're thinking of investing ethically, you do need to be prepared to put in a bit of extra elbow grease when picking investments.

That's because as well as choosing a fund which has robust performance potential, you'll also want to select a fund which is aligned with your ethical principles as much as

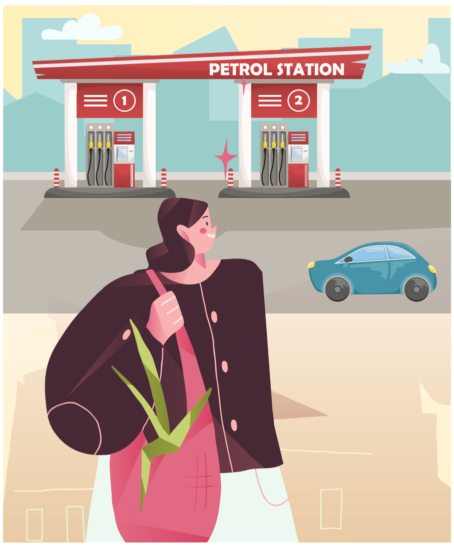
possible. It's worth considering what will satisfy you on this front before starting your search. Some ethical funds tilt their portfolio away from companies with poor ESG scores, but may still retain some exposure to sectors like oil and gas, defence and tobacco.

Other funds totally avoid any investment in such companies on the basis that even if they are transitioning their behaviour, their activities are currently harmful to society or the environment. Another approach taken by some ethical funds is to seek out companies which are actively engaged in providing solutions to problems such as climate change, disease, or a lack of financial inclusion. This is sometimes described as 'impact investing'.

There are then specialist funds which focus in on specific issues, like gender diversity, clean energy, or sustainable water provision. Before you start looking for a fund, it's useful to have a think about which of these approaches ticks the ethical box for you, as this will help narrow down the options, and make research a bit easier.

CHECK YOUR BIAS

You should also keep in view the investment biases that an ethical strategy can introduce into your portfolio. For instance, the fact that so many of the UK's biggest stocks are ESG transgressors, like oil majors and tobacco firms,



means that if you're investing in a UK ethical fund, it's likely to be overweight mid and small caps, and underweight the big blue chips.

That will probably mean greater volatility, but with the potential for higher long term returns too. Global ethical funds are a bit different, because the biggest global companies are the US tech titans like Microsoft and Apple, which tend to score reasonably well when it comes to ESG considerations.

However, picking a global ethical fund could therefore lead to a big weighting towards the technology sector in your portfolio, particularly when you consider that companies offering solutions to climate change are likely to be tech firms too.

Again in this scenario you need to be comfortable with the risks involved in having a portfolio that is highly concentrated in one sector. ESG managers would likely point out that while that might increase risk on one level, by avoiding pollutive companies, or those with poor health and safety records, or weak levels of governance, you're actually taking other risks out of the equation.

Investors who held **BP (BP.)** at the time of the Gulf of Mexico oil spill will recall what a devastating impact that had on their returns, as well as the environment.

'PERFECT IS THE ENEMY OF THE GOOD'

Ethical investors would also probably do well to bear in

mind Voltaire's maxim that the perfect is the enemy of the good. You're unlikely to find a fund which precisely matches your own ethical preferences, so the best fit is simply a pragmatic reality.

Ethical investors should also be realistic about what can be achieved through ESG investing. It's going to take some considerable time for the world economy to switch to more environmentally friendly habits.

The recent gas price crunch and knock on effects for fertiliser plants and food supplies are a reminder of how reliant we are on hydrocarbons, even in ways we don't suspect. Between them, governments, consumers and investors can drive change, but they need to accept it's going to be a long haul.

By **Laith Khalaf**
AJ Bell Head of Investment Analysis

JUPITER
ASSET MANAGEMENT

FINANCIAL INCLUSION AND FINTECH IN EMERGING AND FRONTIER MARKETS

"Out of adversity comes opportunity"

Benjamin Franklin's famous saying has been used on more than one occasion to describe the way in which the Covid-19 pandemic has accelerated change. Nowhere is this more evident, in our view, than in the emerging and frontier markets[1] financial sector. The resolve of governments to continue driving higher financial inclusion[2], and the willingness of companies to facilitate a shift to cashless transactions, are stronger than ever. While the pandemic has created multiple challenges for emerging and frontier market banks, we believe that most have managed risk admirably, have continued to innovate, and have weathered the impact of Covid-19 much better than many had expected. The structural opportunity for these businesses remains intact and, in our view, is not currently reflected in valuations, which remain below pre-pandemic levels.

Financial inclusion and fintech as forces for structural change

Financial inclusion is a structural change that we believe creates opportunities for select emerging and frontier market banks. In recent years, developments in this area have been accelerated by supportive government policies, financial technology ('fintech') innovations and, latterly, by the need to minimise contact in a pandemic environment.

In much of the world, financial inclusion plays a key role in reducing poverty levels and boosting prosperity, which is why governments around the globe have been getting behind the effort. According to the World Bank, since 2010, more than 55 countries have made commitments to financial inclusion, and more than 30 have either launched or are developing a national strategy.

Understandably, fintech is seen by many as a disruptive threat to established banks in developed markets. However, it stands out as an opportunity, rather than a threat, to those incumbent banks in emerging and frontier economies that are driving innovation in their markets. As the shift to mobile banking and cashless transactions accelerates, we believe that our bank holdings offer an attractive proposition as they enjoy the competitive strength that comes from having low-cost traditional deposit franchises, while also benefitting from fintech-driven growth opportunities.

Even though many of the world's unbanked individuals live in remote areas, where the nearest physical bank branch may be prohibitively far away from homes and places of work, rising mobile phone ownership and internet penetration is changing the way the world gains access to financial products. According to the World Bank's Global Financial Inclusion Index ("Findex"), 78% of unbanked adults

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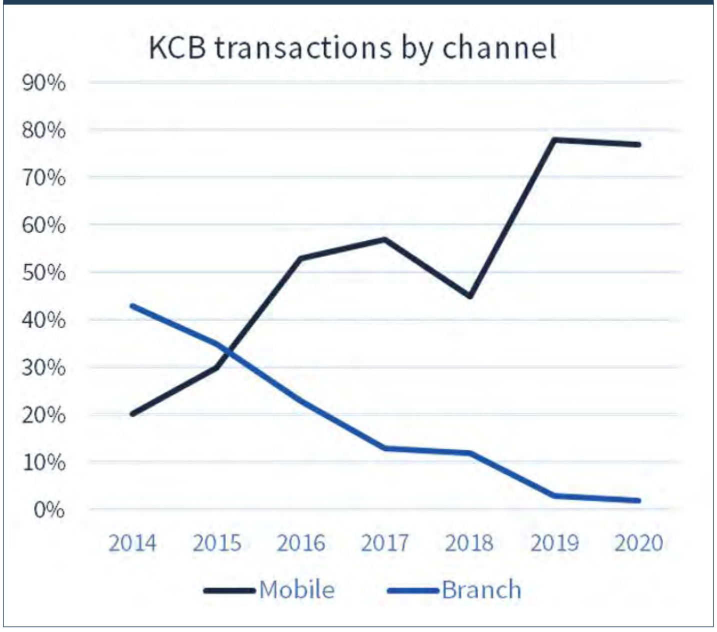
[1] A 'frontier market' is a stock market that is typically smaller and less-developed compared to an emerging market.

[2] 'Financial inclusion' is the process of individuals gaining access to basic financial products and services to meet their needs.

MOBILE TRANSACTIONS BY KCB'S CUSTOMERS HAVE RAPIDLY OVERTAKEN IN-BRANCH TRANSACTIONS



have access to a mobile phone.

In emerging and frontier markets, gradually increasing penetration of financial products, combined with supportive demographics, should create a backdrop that, for well-placed financial institutions, proves conducive to strong and sustained earnings growth for a long time to come.

Gaining exposure to the opportunity

Through our bottom-up, fundamental approach, we have identified several companies where we believe this change is underappreciated by the market. KCB in Kenya, United Bank in Pakistan, and Bank of Georgia are all held in the Jupiter Emerging and Frontier Income Trust. While all three are small-capitalisation companies, they are large players in their home markets and are all embracing fintech opportunities to create new avenues for growth.

Kenya Commercial Bank

The potential for fintech to drive positive change is most evident in Sub-Saharan Africa, particularly in Kenya. The Kenya Vision 2030 blueprint, launched by the Kenyan government in 2008, made financial inclusion a central goal and, since then, dramatic progress has been made. Financial inclusion in Kenya reached 82.9 per cent last year and, while this means that around 17 per cent of the population is still excluded from access to formal financial services, the numbers have improved dramatically since 2006, when only 33 per cent of men and 21 per cent of women had access to financial services (in that time, the gender gap has also narrowed – from 12 per cent in 2006 to 5 per cent in 2020).[3]

A large part of Kenya's success has been down to the widespread usage of the mobile money platform, M-Pesa, which is now arguably the most successful mobile financial service in the developing world. M-Pesa was established by incumbent telecom operator, Safaricom, with KCB as its main banking partner. KCB leverages this burgeoning technology by offering loan and savings accounts with attractive fees and variable payment or savings periods.

Over the past year, KCB has enhanced its mobile wallet platform, Vooma, which allows customers to save, borrow, send and receive money, pay bills, and buy airtime. Lending is the largest product

[3] Source: Kenya Economic Report 2020 Kenya-Economic-Report-2020.pdf (kippra.or.ke)

on the platform, followed by savings. The bank is now doubling down on its payment services by significantly expanding the number of merchants and billers on the platform.

KCB aims to have a million merchants on the platform over the medium term, up from just thirty thousand presently, with a view to having Vooma contribute twenty per cent to group revenues in two years' time, up from five per cent today. KCB has established a dedicated division to oversee this transition and there are members of the management team, reporting to the board of directors, who have full ownership of these targets.

In recent years, KCB, along with the rest of the Kenyan banking sector, has seen its share price get cheaper in relation to its earnings – initially due to concerns over a new law to cap interest rates (which ultimately had little impact on KCB's profitability), and latterly due to the impact of Covid on the Kenyan economy. In our view, this created a compelling long-term investment opportunity considering its consistent track record of strong profitability and the potential to deliver strong growth.

UBL (Pakistan)

Banking in Pakistan is unique because, unlike the corporate/consumer lending model of most banks worldwide, Pakistani banks have largely favoured government lending. There is very limited consumer or corporate debt: by way of comparison, in the UK, private sector debt stood at 190.3 per cent of GDP at the end of 2019[4]; by contrast, private sector debt-to-GDP for Pakistan stood at just 18.1 per cent at the end of 2019[5].

However, consumer lending is now rising from a low base, which in our view is a tailwind that will likely support a positive loan growth outlook for many years to come. More striking to us is the opportunity in retail deposits. As the informal economy reduces, and savers become more educated about wealth management, this should be an area of substantial growth.

In markets like Indonesia, those banks that have been able to couple robust loan and deposit growth with a high level of profitability have delivered extremely strong returns for shareholders as the sector has developed. We believe the market has not yet recognised the potential for leading banks in Pakistan to do likewise.

What is more, UBL has a clear digital strategy, centred on offering innovative solutions to existing customers through its UBL Digital app, and on promoting financial inclusion through the provision of basic banking facilities to the mass population. In mid-2020, UBL appointed a new CEO, Mr Shazad Dada, who has stressed the importance of expanding the bank's digital offerings.

[4] Source: United Kingdom Private Debt to GDP | 1995-2019 Data | 2020-2021 Forecast | Historical (tradingeconomics.com)
[5] Source: Bloomberg

In the first nine months of 2020, the bank added 200 thousand new users to its digital banking platform, taking the total to 1.2 million. There is a long runway for further growth, too, considering that the bank has over 10 million customers and a large part of the population remains unbanked. UBL is able to deliver a positive user experience and enjoys a high degree of trust with customers, as evidenced by its strong position in remittances, where it has approximately 24 per cent market share.[6]

Equally important is the resilience that UBL has exhibited over the past year, as Covid has weighed on the Pakistan economy. The bank has remained profitable and well-capitalised throughout and, other than a period of two quarters when Pakistan's central bank asked banks to refrain from distributing dividends, UBL has maintained dividend payments.

Conclusion

Our change-based investment approach aims to generate long-term capital appreciation by investing in under-researched and underappreciated companies. We believe that many well-managed emerging and frontier market banks stand to benefit from rising financial inclusion and the evolution of fintech.

While Covid may have resulted in short-term challenges, we believe that our bank holdings are resilient, attractively valued, and are innovating to ensure that they are able to profit from structural change.

RISKS

The Jupiter Emerging & Frontier Income Trust:

The Jupiter Emerging and Frontier Income Trust can utilise gearing for the purpose of financing the Company's portfolio. The use of gearing means the Company may be subject to sudden and large falls in value and the investor may get back nothing at all if the fall in value is sufficiently large. The Company invests in emerging markets which carry increased volatility and liquidity risks. The Company invests in smaller companies, which can be less liquid than investments in larger companies and can have fewer resources than larger companies to cope with unexpected adverse events. As such price fluctuations may have a greater impact on the Company. This Company invests mainly in shares and it is likely to experience fluctuations in price which are larger than Companies that invest only in bonds and/or cash.

Investment trust companies are traded on the London stock exchange, therefore the ability to buy or sell shares will be dependent on their market price, which may be at a premium or discount to their net asset value.

Before making an investment decision, please read the PRIIPS Key Information Document which is available from Jupiter on request and at www.jupiteram.com

[6]Source: UBL Financial results for 9 months of 2020 - Daily Times

DANNI HEWSON
AJ Bell Financial Analyst

The energy crisis threatening a recovery power cut

What rising gas prices mean for the UK economy and potential winners in a winter of discontent

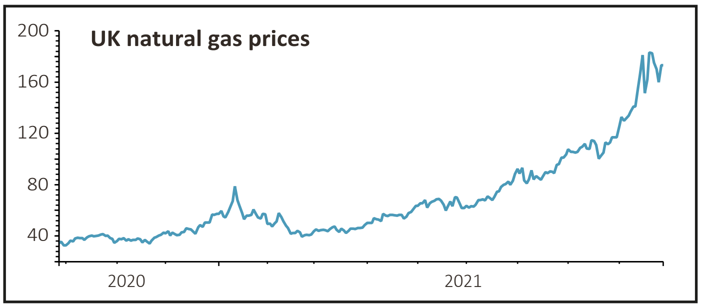
If September hasn't already delivered the annual squabble about when is an acceptable moment for the heating to be flicked on, October certainly will and this year's debate will come with an added frisson.

Wholesale gas prices have skyrocketed. The energy price cap that helps keep a lid on things for consumers still bears a relationship to this wholesale market and is set to enjoy a record rise even though it was set before this latest spike.

REDRAWING THE MARKET

The massive and rapid increase in gas prices has already brought a number of small suppliers to their knees and looks set to fundamentally redraw the market.

UK WHOLESALE GAS PRICES

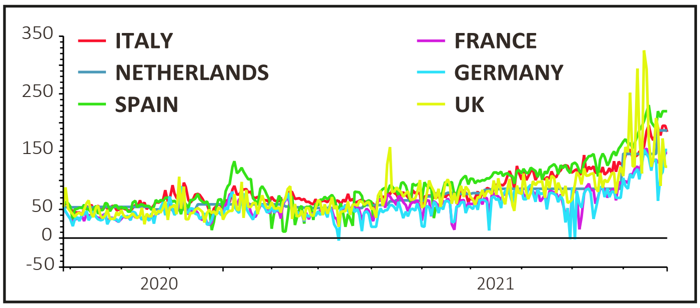


Source: Refinitiv

There's a myriad of reasons for the surge. These run from last year's cold snap, which ate into UK stocks, delayed maintenance on oil platforms which have led to decreased supply, and a disappointing contribution from renewables over the summer, all while demand has been increasing as global economies reopen.

Like many countries the UK also relies on gas to produce electricity and here's another chart to make bill payer's wince. Yet another reason there have been so many headlines suggesting this winter could be record breaking for all the wrong reasons.

WHOLESALE ELECTRICITY PRICES ACROSS EUROPE



Source: Refinitiv

But the thing about shortages and price pressures is for every loser there's usually a winner and this is playing out in the energy market. Just look at the upward trajectory in share price enjoyed by oil giants **BP (BP.)** and **Royal Dutch Shell (RDSB)** in the wake of the weekend's queues at petrol pumps.

DANNI HEWSON
AJ Bell Financial Analyst

CENTRICA CUSTOMER SURGE

In the first six months of the year **Centrica (CNA)** owned British Gas lost 114,000 customers, a trend that had become fairly routine.

In the last few weeks though it's been a different story with the number of accounts swelling by 440,000. Any customers taken on at the moment might well be loss making but it's the long-term gain that Centrica will be considering.

And customers are likely to be sticky at the moment, nervous about jumping back to a collection of smaller suppliers which is likely to get increasingly modest in number.

While the number of participants in the market is unlikely to return to just a 'big six' there are suggestions that the 40-plus still standing as autumn approaches could be halved by the end of the year.

Regulation designed to open up the marketplace seems at the moment to be having the opposite effect.

COMPANIES MAKING GAINS

Company	% change since 31/8/21
Energean	30.4
Drax Group	21.4
BP	10.4
Royal Dutch Shell	9.9
Centrica	6.5
Harbour Energy	0.8

Source: SharePad, 28 September 2021

Though the UK is far from the only country wrestling with price rises it is facing a particularly tricky time. Over the past two decades I've spoken to numerous ministers and their shadow counterparts about the UK's energy strategy, and all have stressed the importance of diversity, security of supply and a steady transition to cleaner and greener sources of power.

DRAX SHARES POWER UP

Looking at a stunning surge in its share price over the past month its clear investors consider that **Drax's (DRX)** proposition delivers all three. Whatever your take on biomass, which has proved controversial, there's no getting away from the fact that electricity produced by Drax isn't affected by the vagaries of British weather and that ability to fire up at the flick of a switch will undoubtedly be prized.

There's also the little issue of CO2, very few people really knew how important a couple of fertilizer plants operated by, until now, obscure US firm CF Industries were to the UK economy before the last few weeks. Drax's carbon capture and storage plans could add to UK supply before the end of the decade.

And that's the biggest lesson investors should learn from the current energy crisis, whilst it's often easy to spot potential winners it's not always as straight forward to fathom where the biggest losers will emerge and it's also easy to forget the contribution fossil fuels make to our critical infrastructure in unexpected ways.

I doubt many people saw rising gas prices and feared for our Christmas turkey. Yet the Government's deal with CF Industries is on the clock and there is no guarantee what will happen once the three-week agreed comes to an end.

PRESSURES MOUNT

There's little doubt at least a portion of the rising energy costs being incurred by industry will be passed onto the consumer, a consumer already having to pay their own inflated bills.

The only thing that seems certain is that we can't guess what's coming next. The last 18 months have shaken and stirred global economies and the road back to normality is beset with potholes.

The economic outlook for Mexico is improving

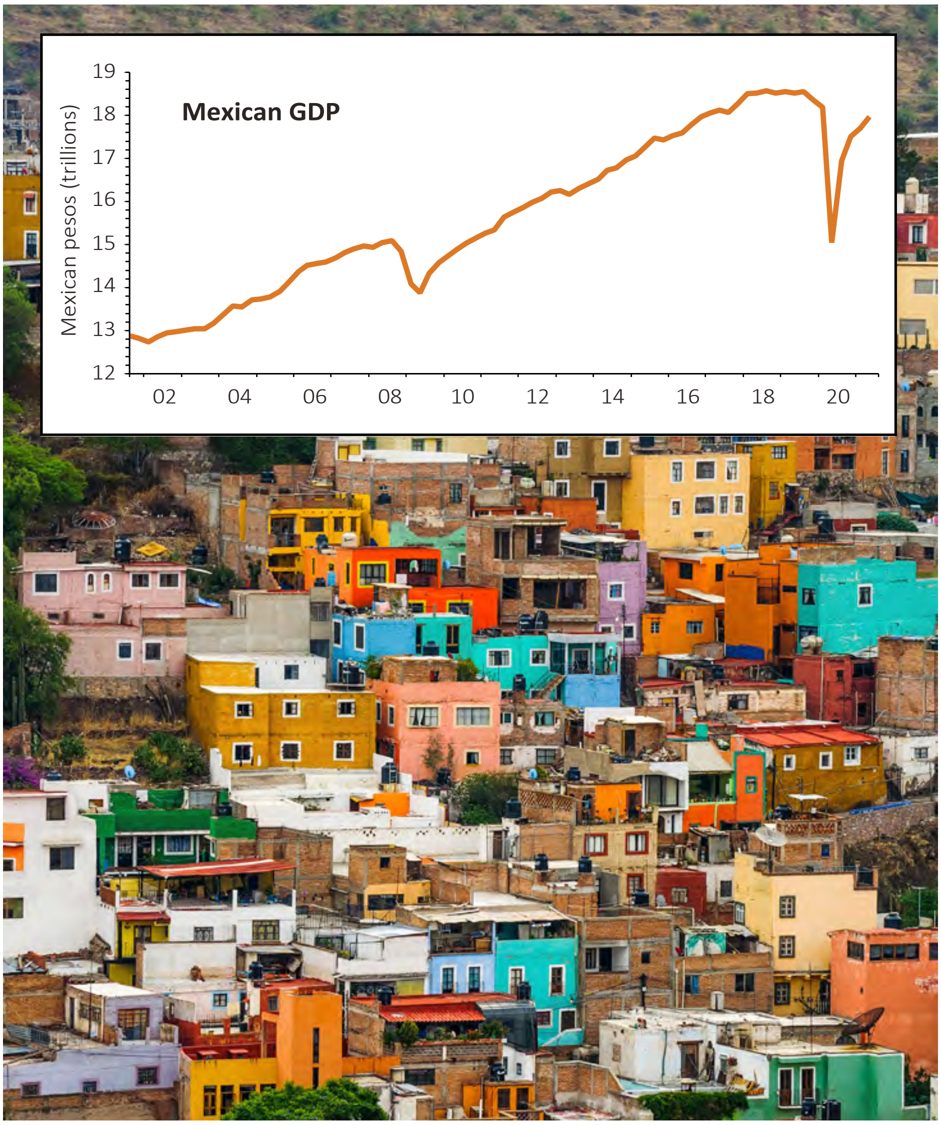
The second largest Latin American economy enjoys a big trade surplus with the US

Mexico is the second largest economy in Latin America and its proximity to the economic juggernaut that is the US has helped support strong growth, with some intervening ups and downs, over the course of the last two decades.

In its interim report on the economic outlook in September 2021 the OECD lifted its growth forecast for Mexico for 2021 from 5% to 6.3% and for 2022 from 3.2% to 3.4%. The government led by Mexican president Andres Manuel Lopez Obrador has also recently announced plans to address tax issues and ease austerity measures in its latest budget to support the economy.

Like many countries Mexico is having to tackle the issue of inflation, with its central bank among several in emerging markets to increase interest rates in recent months to address the problem of rising prices.

In June consultants at Deloitte noted the role exports were playing in Mexico's economic rebound: 'The bold recovery of the American economy is bolstering Mexican exports to its northern neighbour. The trade balance saw a surplus of $26.6 billion, or 2.4% of GDP, in 2020, the highest level recorded since data became available in 1993.



'In March 2021, exports grew 31% year over year to reach $43 billion, the largest expansion in almost a decade. This growth was driven by machinery and metal manufacturing, which expanded 6.6%; electronics and professional equipment also registered expansions of 21.3% and 14.5%, respectively.'

Emerging markets: Views from the experts

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

1. Our view is that the increased **regulatory scrutiny in China's internet sector** is focused on creating conditions conducive to long-term sustainable growth for all stakeholders – rather than curbing the development of the technology sector. Chinese technology companies contribute to a significant proportion of economic growth and employment in the economy and play a pivotal role in the Chinese government's technological goals. Therefore, our view is given the government's plan to use innovation as a driver of gross domestic product (GDP) growth and productivity gains in the long term, the intention is not to curtail innovation and innovative businesses. Rather, the objective is to avoid monopolistic positions that could have negative effects without the appropriate controls. China's ambitious roadmap includes tapping into a formidable resource not every other country has—a vast population that can drive demand, and a history filled with rapid adoption of modern technology.

2. We believe that **economic growth drivers in China** will largely stem from domestic consumption, innovation and technology and a commitment to the environment, with targets for the country to reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060. The plan's manufacturing upgrade will also prompt companies to create supply chain self-sufficiency as China moves up the value chain, as a result of accelerated adoption of local technology and digitalisation. Hence, we believe that there will be beneficiaries of China's effort to re-balance wealth distribution as the other aspects of the common dual circulation policy that focuses on carbon neutrality, technology localisation and consumer premiumisation (made possible with rising incomes) could create attractive investment opportunities.

3. **Inflation** has elevated around the world as supply bottlenecks, shipping disruptions and recovering demand have been driving up prices. Higher commodity prices and base effects have also been lifting headline inflation. While we expect this situation to be transitory and look for inflation to moderate in 2022, heightened prices and post lockdown booms have forced some emerging market (EM) central banks to act. South Korea, Brazil, Mexico, Russia and parts of Central and Eastern Europe have already started tightening, but others across the world are willing to wait. We believe that investors should not be too worried about the upward move in inflation across much of EMs, but rather view it as an expected part of economic normalisation post the Covid-19 crisis.

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.

Would I be better off without salary sacrifice?

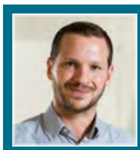
Our expert helps with a query from someone contributing to a SIPP and workplace pension

I have been contributing to two pensions in the last few years – my SIPP and my workplace pension. My workplace contributions are made through salary sacrifice and I contribute 40% of my earnings together with an 11% employer contribution. This means the earnings on my P60 for the last two years are well below the 40% tax bracket.

At the same time, I have been making contributions of £5,000 a year to my SIPP and informing HMRC of this so they can adjust my tax code to credit me with the additional 20% tax relief.

HMRC are now saying that I'm only a 20% taxpayer because my P60 shows earnings are below the 40% threshold and therefore they intend to claim the tax relief back from next tax year.

Is this correct? If so, would I be better off completely removing myself from salary sacrifice?
Steve



Tom Selby
AJ Bell Head of Retirement Policy says:

Most people are entitled to tax relief on pension contributions up to 100% of UK earnings. The pensions annual allowance (set at £40,000 for the 2021/22 tax year) covers all pension savings made by you or on your behalf (for example by your employer). This is separate from tax relief you receive on your own contributions.

Pension tax relief is paid at your marginal rate of income tax. This means if the contribution comes from a slice of income that was taxed at 40%, you are entitled to 40% relief, while if it comes from a slice of income that was taxed at 20%, you are entitled to 20% relief.

Salary sacrifice is one way of making pension contributions that is popular with UK employers. You enter into an agreement to lower your taxable salary, and your employer diverts the money directly into your retirement pot instead.

This allows you to benefit from both income tax and National Insurance relief automatically, with your employer also benefiting from National Insurance relief. In some cases, your employer may share this saving with you.

Pension contributions paid from taxable salary to a SIPP or any other type of personal pension, on the other hand, benefit from income tax relief only. This is something you should consider carefully when deciding how you make your pension contributions.

When claiming tax relief on SIPP contributions, HMRC will assess your entitlement against your UK earnings for that year.

If, for example, someone earns £55,000 and makes a £10,000 SIPP contribution, they will be entitled to claim higher-rate (40%) pension tax relief on the slice of contribution that comes from the higher-rate tax bracket.

In 2021/22 the higher-rate tax threshold is £50,270, meaning only £4,730 of the contribution would qualify for higher-rate relief. The remaining £5,270 would qualify for basic-rate relief, which on SIPP contributions is paid automatically. Scottish taxpayers are subject to different rates and bands of income tax meaning the figures might differ slightly.

DO YOU HAVE A QUESTION ON RETIREMENT ISSUES?

Send an email to **asktom@sharesmagazine.co.uk** with the words 'Retirement question' in the subject line. We'll do our best to respond in a future edition of *Shares*.

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

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WEBINAR

05 OCT 2021

Presentations:
18:00 BST

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Christopher P. Bogart, CEO
Burford Capitalis a finance firm providing litigation finance, insurance and risk transfer, law firm lending, corporate intelligence and judgment enforcement, and a wide range of investment activities.

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Cathal Friel, Chairman
Poolbeg Pharma fosters data-driven innovation and the most advanced scientific practices in the research & development of novel infectious disease treatment.

PrimaryBid

PRIMARYBID
James Deal, Co-Founder and COO
PrimaryBidis the only platform where individuals can join corporate fundraisings on equal terms as institutional investors. In partnership with the London Stock Exchange and Euronext, we have created the infrastructure to seamlessly connect retail investors with public companies.

wentworth

WENTWORTH RESOURCES
Katherine Roe, CEO
Wentworth Resources is an upstream oil and natural gas company. It is actively involved oil and gas exploration, development, and production operations. The company operating segments are Tanzania Operations, and Corporate.

The webinar can be accessed on any device by registering using the link above

Event details

Presentations to start at 18:00 BST

Contact

Lisa Frankel
media.events@ajbell.co.uk

Register for free now

www.sharesmagazine.co.uk/events

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KEY ANNOUNCEMENTS OVER THE NEXT WEEK

Full-year results

1 Oct: Sensyne Health, **4 Oct:** James Halstead, Quadrise Fuels, **5 Oct:** ScS, Bluefield Solar Income, Hotel Chocolat, **6 Oct:** Netcall, **7 Oct:** eEnergy, Volution.

Half-year results

5 Oct: Inspiration Healthcare, **6 Oct:** Allied Minds, Tesco, **7 Oct:** Morses Club.

Trading updates

5 Oct: Greggs, **6 Oct:** Ferrexpo, **7 Oct:** Mondi, Entain.

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THIS WEEK: 13 PAGES OF BONUS CONTENT

SHARES SPOTLIGHT

CARACAL GOLD

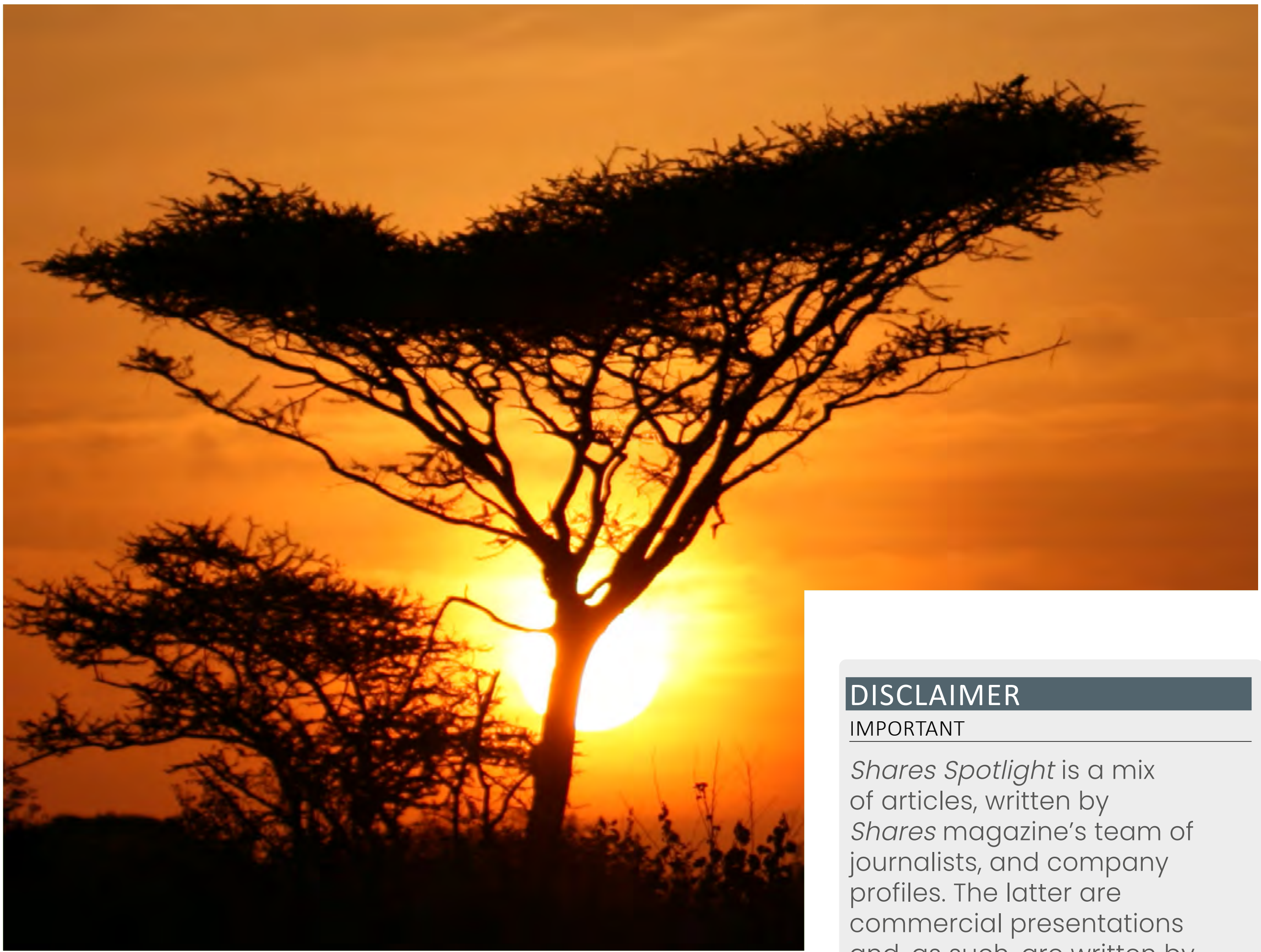
PRIMARYBID

WENTWORTH RESOURCES

Energy, renewables and resources

INCLUDES COMPANY PROFILES, COMMENT AND ANALYSIS

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 events and how to register for free tickets.

Previous issues of Spotlight are available on our website.

The vehicles leading the UK renewables charge

The investment funds at the forefront of the energy transition

In recent years, funding for the growth of renewable energy has become ever more important. Initially, in the 1990s, following the privatisation of most of the UK's electricity supply industry, the privatised companies were at the forefront of the relatively modest investment in renewable generation.

Of the remaining UK quoted electricity stocks, only **SSE (SSE)** undertakes very substantial investment in renewable energy: its renewables generation capacity, mainly wind power and hydropower, now exceeds 3.8GW (gigawatts). **Drax (DRX)**, which eventually emerged out of the privatised National Power, is the key player – and, by far the largest recipient of subsidies – in the UK biomass sector, with its controversial importing of wood chips from the US to fuel its UK units, which have been mostly converted from coal-firing to biomass-firing.

FUNDS AT THE FOREFRONT OF RENEWABLES INVESTMENT

While other international utility groupings, most notably Spain's Iberdrola and Germany's E.ON, also own a portfolio of UK renewable energy plants, much of the recent investment has been undertaken by the 19 REIFs (renewable energy investment funds), all of which are quoted.

While there are arguably seven renewable generation technologies – this categorisation excludes nuclear power – it is wind power and, more latterly, solar power that have driven UK renewable generation investment.

Most of the 19 REIFs, which are now worth a combined £11.9 billion, have focused on wind and solar generation. More recently, energy storage, using battery technology, has

come to the fore – this latter sector, though still very small, is certainly attracting investor interest.

The two most valuable REIFs – with somewhat different investment strategies – are **The Renewables Investment Group (TRIG)** and **Greencoat UK Wind (UKW)**. The former has diversified into both mainland Europe, notably into the Nordic countries, but also into other generation technologies beyond wind. Meanwhile, the latter – as implied by its eponymous name – is almost exclusively invested in UK wind generation.

Looking forward, it is probable that more renewable energy funds will become publicly quoted and that the number of REIFs, currently 19, will increase markedly. The 19, in recent years, have found it relatively straightforward to access funds, although the availability of generous public subsidies, which, in time, will erode, has been a pivotal factor. In some cases, over-ambitious IPO targets have had to be scaled back in the face of investor doubts.

FUNDRAISING EFFORT

The 19 REIFs regularly access the capital markets for additional funds. Some are well established, while others are newcomers. Into this latter category are **Aquila Energy Efficiency (AEET)**, **HydrogenOne Capital Growth (HGEN)** and **Victory Hill GSEO (GSEO)**.

Since January 2020, we have calculated that more than £3.5 billion of additional equity has been raised by the 19 REIFs. Some of the new money has been raised during the IPO process. However, the majority of the proceeds have been secured by the larger funds, generally to finance plant acquisitions, in either the wind generation or solar generation sectors; invariably, such funds have built up a good track record

Aside from the funds raised within the REIF sector, especially during the era of the Covid-19 pandemic, it is also noticeable that these transactions have been undertaken at a modest discount to the prevailing share price. Disregarding some of the over-ambitious fundraising targets of new issue sponsors, the older, established REIFs have faced few problems in raising additional funds to finance acquisitions, generally new wind or solar plants.

Over the past two years, most of which are covered by the Covid-19 crisis, the REIFs have been resilient performers – and certainly compared with some other sectors, including transport, leisure and hospitality. The direct impact of Covid-19 on the 19 REIFs was marginal in relative terms. After all, wind generation output was still broadly in line with expectations, despite a period of low wind levels earlier this year, while solar output was barely affected.

However, in valuation terms, the NAVs of some REIFs have been adversely affected by lower long-term energy price projections, although – of late – energy prices have rallied.

Nonetheless, weaker energy prices, despite the prevalence of subsidies, have adversely affected many REIFs. Some have responded by trimming their dividend growth expectations.

To be sure, dividend growth projections for the sector have been scaled back, although only to a minor extent – and nothing to compare with **Centrica's (CNA)** 58% dividend cut in 2019.

This article is based on a report produced by Hardman & Co, you can find more of its research here.

Caracal Gold – a shiny new star in East Africa

caracalgold.com

After a turbulent year for gold so far, many commodity experts are bullish on the long-term outlook for the yellow metal – citing financial and geopolitical uncertainty topped off by the spectre of low interest rates – suggesting the recent price dip presents a ripe opportunity to snap up bullion.

Against this backdrop, an emerging East African-focused gold producer **Caracal Gold (CGAT:AIM)** joined the London Stock Exchange in late August 2021.

With a clear path to grow production and resources both organically and via strategic acquisitions,

Caracal's initial aim is to rapidly increase production to +50,000 ounces per year and build a JORC-compliant resource base of three million ounces within 12-18 months after listing. The company is named after the caracal cat native to Kenya, renowned as supreme and speedy hunters - in case you're wondering.

OFF TO A TIMELY START

To this end, Caracal is off to a very timely start with its first producing asset, the 100% owned Kilimapesa Gold Mine in Kenya, located in a historic gold mining region near Lake Victoria Goldfields. There is significant expansion potential and ability to increase the flagship asset's gold production to 25,000 ounces per year and lift the resource to more than two million ounces in the near term.

Following implementation of a mine optimisation strategy earlier this year, the Caracal team has proven it possesses the requisite skills to hit these ambitious targets with production delivering steady growth. In addition, Kilimapesa's forecasted low AISC (all-in sustaining costs) plus strong operating margins from sales pay heed to the mine's unique appeal in a nation welcoming mining investment.

However, Kilimapesa is just the starting block; the Caracal team has big plans and is eyeing up several other strategically located operational and development projects in East Africa to build out the portfolio and create a formidable gold player in the region, where major players like Barrick Gold, AngloGold Ashanti and AIM-listed **Shanta Gold (SHG:AIM)** also operate.

EXPERIENCED TEAM

An experienced team on the ground is also key. Led by chief executive Robbie McCrae, the team has proven track records in successfully developing and

operating mining projects throughout Africa.

Non-executive chairman, Simon Games-Thomas, has over 25 years' experience in trading and financing across a spectrum of commodity markets including metals with stints as managing director at UBS and JP Morgan, while Robbie McCrae has over 20 years' mining experience including the management of exploration, development, and financing of projects across 15 African countries for both private and listed companies.

The team also includes senior mining executives with extensive corporate, technical, and financial backgrounds in publicly listed companies, which should serve to mitigate investor concerns.

ESG is also to the forefront of Caracal's recipe for long-term success in East Africa and, in turn, should be regarded as an attractive proposition for green-leaning investors. Its approach to its flagship asset demonstrates the emerging gold player's commitment to operating transparently and responsibly in the region.

With strong community support and local stakeholder engagement, the operating mine will contribute to inclusive economic growth while operating in an environmentally sustainable manner – ensuring that Kilimapesa's operations will have no adverse effects on natural resources or biodiversity in the region. It is also investing in community projects include the Mayflower Africa Foundation - helping improve young children's education, health, and wellbeing.

ENVIRONMENTAL INITIATIVES

Other environmental initiatives underway include planting trees in the locality to help capture carbon, prevent floods, and keep soil nutrients rich. Once the trees have grown sufficiently, Caracal also plans to launch a community beekeeping initiative and is working with the Maasai people to help eliminate foot and mouth disease through an extensive cattle dipping

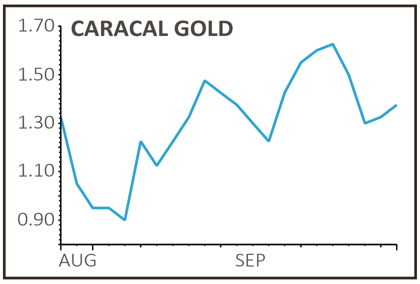
programme. The London-listed company also supplies water and electricity to three local schools, drinking water for livestock at various locations and employs over 200 locals, providing on-the-job and off-training.

Caracal's share register boasts key UK and European institutions and retail investors, which pays heed to its compelling investment opportunity as a fast-growing East African gold player. Whilst its primary listing is in London, Caracal is dual listed on the Frankfurt Stock Exchange (Ticker: FSE: 6IK) and also anticipates listing on the Nairobi cross-listing via an introduction of its shares to the Growth Enterprise Market Segment of the Nairobi Securities Exchange.

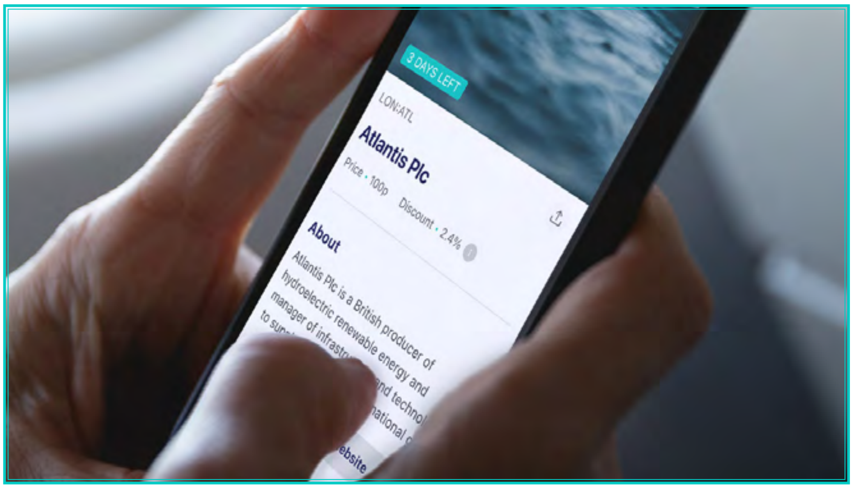
This looks set to further enhance its international profile and ensure that it is well positioned to engage with a broad spectrum of UK, European and African-based funds, institutions, and investors.

In addition, funding is not an issue at present with circa £5.5 million already raised in two rounds, placing Caracal in a heathy cash position as it commences its gold producing journey in the heart of East Africa.

Caracal says: 'Given our progress to date and rapid advancements to follow, this fierce new cat on the block looks set to deliver on its golden promises.'



PrimaryBid is putting the public back into public markets



primarybid.com

Petro Matad (MATD:AIM), **Bacanora Lithium (BCNA:AIM)**, **Anglo Pacific Group (APF)**, **SolGold (SOLG)** and **Yellow Cake (YCA:AIM)**. What do these companies have in common? They have all partnered with PrimaryBid to enable retail participation in their fundraisings.

Why does this matter? While many companies have wanted to include retail investors when raising capital, the technology to do so was previously unavailable to them. PrimaryBid was founded with the ambition to democratise access to capital markets and address this disparity.

In turn, PrimaryBid's technology — backed by the London Stock Exchange — provides the entire financial ecosystem with a simple and reliable infrastructure that allows retail investors and listed companies looking for funding to interact seamlessly and securely.

THE PRODUCT

PrimaryBid's philosophy is that the markets are either public and open to all investors, or they are not. This means that retail investors need to be treated equally and given the same access as larger institutional investors.

This inequality was particularly apparent with 'accelerated follow-ons', whereby public companies would raise new, dilutive capital from their existing institutional investors, at a discount of several percent, and without including their retail investors.

As such, PrimaryBid's first service gave individual investors unprecedented access to these offers from which they were previously excluded. This was followed by the launch, in early 2021, of PrimaryBid's digital IPO product — which has since been adopted by **PensionBee (PBEE)**, **Deliveroo (ROO)** and Membership Collective Group, among others.

THE WAY FORWARD

To date, PrimaryBid has delivered retail access to more than 180 transactions in the UK on behalf of small and large-cap companies in the UK's FTSE indices including **Croda (CRDA)**, **Ocado (OCDO)**, **Taylor Wimpey (TW.)**, **Aston Martin (AML)** and **Severn Trent (SVT)**.

What's more, in October 2020, PrimaryBid attracted a number of global investors in its Series B fundraise to facilitate its expansion into international markets. These included **London Stock Exchange Group (LSEG)**, **Draper Esprit (GROW)**, OMERS Ventures, Fidelity International Strategic Ventures and ABN AMRO Ventures.

This paved the way for PrimaryBid to launch its service in France with Euronext, the leading pan-European exchange, in June 2021 — marking the first step in its European expansion.

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Wentworth Resources is enabling Tanzania's energy transformation

www.wentplc.com

Wentworth Resources (WEN:AIM) is a leading domestic natural gas producer in Tanzania with a core producing asset at Mnazi Bay in the onshore Rovuma Basin in Southern Tanzania. The asset has been materially producing for six years into the National Natural Gas Infrastructure (NNGI) pipeline, which runs from the Mnazi Bay field to Dar Es Salaam, Tanzania's commercial capital and largest city.

RECORD FINANCIAL AND OPERATIONAL PERFORMANCE

In September 2021, Wentworth announced its strongest interim results to date, with record financial and operational performance driven by unprecedented gas demand in Tanzania. Wentworth's resilient business model and strong fundamentals have placed the Company in the most financially and operationally robust position in its corporate history, as revenue growth, ongoing cash generation, lower operating costs and a focus on profitability drive continued strength.

As a financially disciplined Company, Wentworth has focused on paying down debt since starting material production into the NNGI pipeline in 2015. The Company is now debt-free with $21m cash in hand and minimal capital expenditure required. Wentworth's investment case is further safeguarded by its long-term fixed gas price contract with the Government of Tanzania, limiting the Company's exposure to commodity price volatility.

DIVIDEND DIFFERENTIATOR

Wentworth's strategy is to maximise shareholder value through asset optimisation and fiscal responsibility. Commitment to this strategy has enabled the company to increase its interim dividend to $1.32 million, an increase of 10% from H1 2020 and in line with the Company's stated progressive capital return policy.

Wentworth has returned $5.12 million to shareholders in the last 12 months and is one of only seven London-listed (main market & AIM) E&P companies committed to maintaining a dividend in 2021.

STABLE AND GROWING PRODUCTION

With increasing gas demand in Tanzania due to ongoing industrialisation and post-Covid economic recovery, Wentworth delivered record

production at Mnazi Bay in H1 2021, averaging 80 MMscf/day – at the top-end of 2021 production guidance of 70-80 mmscf/day (million standard cubic feet per day) (gross).

The company also achieved an all-time production high of 110.65 mmscf/day in the first half, highlighting its ability to respond quickly to growing demand and comfortably scale up volumes without any additional investment.

Wentworth seeks to further optimise its production output through innovative work programmes and a focus on cost efficiencies, as demonstrated by its 72% reduction in operating costs in H1 2021.

TRANSITIONING TANZANIA TO A SUSTAINABLE FUTURE

With a fast-growing population and an economy poised for rapid growth, Tanzania is shifting away from its traditional agricultural economy to focus on large-scale industrialisation, adding considerable pressure to energy demand.

With a current energy access rate of only 33% and 7.7 million households without access to power, there is a significant need to increase energy generation – particularly using natural gas, Tanzania's main source of power.

The government of Tanzania has set an ambitious target of universal energy access by 2030. This target, coupled with the Government's robust industrialisation strategy, provides a real opportunity for Wentworth. Wentworth's natural gas production has increased energy access across Tanzania, bringing affordable and continuous power to people's homes, schools, towns, and villages – often for the very first time. With nearly 30% of Tanzanian electricity customers currently served by Mnazi Bay natural gas, Wentworth is playing a crucial role in connecting local communities to the grid and accelerating industrialisation. Wentworth's gas-to-power platform is enabling 24/7 electrification for Tanzania, alleviating energy poverty for millions of people and transforming lives in local communities.

The introduction of gas-fired power plants in Tanzania has also significantly reduced the cost of electricity by replacing expensive, heavy polluting diesel-based generation. While this has several environmental benefits, it also

WENTWORTH'S NATURAL GAS PRODUCTION HAS INCREASED ENERGY ACCESS ACROSS TANZANIA, BRINGING AFFORDABLE AND CONTINUOUS POWER TO PEOPLE'S HOMES, SCHOOLS, TOWNS, AND VILLAGES – OFTEN FOR THE VERY FIRST TIME

provides a more cost-effective solution for businesses and industries – vital for Tanzania's industrialisation ambitions.

NATURAL GAS AS A LOW-CARBON SOLUTION

Natural gas from Mnazi Bay is also accelerating Tanzania's energy transition by displacing heavy polluting fuels and securing a low-carbon future for the country and its people. With natural gas providing a reliable and affordable baseload power supply, more renewable technologies – such as hydroelectric power – can be gradually added to Tanzania's energy mix, without compromising energy access or security.

Natural gas – which accounts for more than half of Tanzania's current power generation – is the right transition fuel to facilitate large-scale decarbonisation across the country.

Wentworth remains committed to not only reducing the carbon intensity of Tanzania's energy mix, but also reducing its own environmental footprint in its field operations and regional offices. As a single-asset non-operator with a lean corporate structure, Wentworth maintains a low emissions profile, with one of the lowest CO_2 intensities in the E&P sector in London at 1.3 kilogrammes CO_2e per barrel of oil equivalent based on FY 2020 numbers.

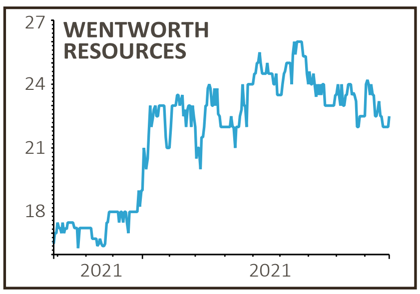
As a part of its ongoing sustainability journey, Wentworth is in the process of developing a climate strategy and identifying ways to further reduce and mitigate its carbon footprint.

EMPOWERING PEOPLE WITH ENERGY

As a Tanzanian business, Wentworth invests in the local community by creating employment and supply chain opportunities for local people and building long-term partnerships that create real value.

To expand on its commitment to deliver positive social impact in Tanzania and drive long-term sustainable development, Wentworth operates the Wentworth Africa Foundation (WAF). Established in 2007, WAF is a charitable organisation focused on improving the health, education, and socio-economic outcomes of those living in the rural regions of Lindi and Mtwara in Southern Tanzania. Wentworth has contributed over $1 million to WAF's programmes since its inception, creating lasting value for the communities in which it operates.

Wentworth is committed to being a leading player in Tanzania's energy growth and transition, delivering responsible, sustainable growth to for shareholders, Tanzania and wider stakeholders.



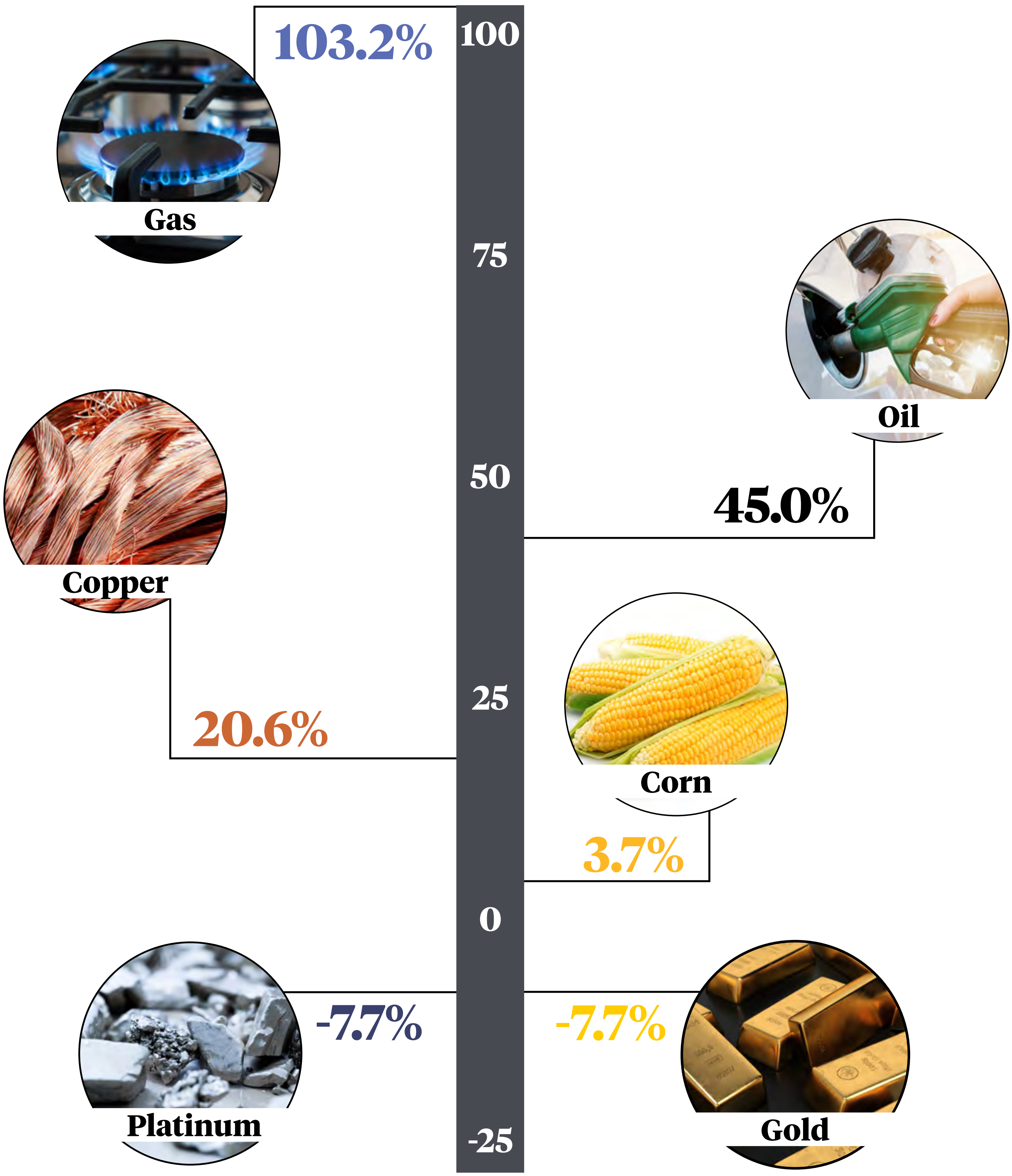
Databank – Commodity price performance 2018-2021

	2018	2019
Copper	-16.1%	6.3%
Corn	3.9%	0.1%
Crude Oil	-18.7%	21.9%
Gold	-1.4%	18.7%
Natural Gas	10.8%	-26.0%
Platinum	-14.3%	18.7%

	2020	2021*
Copper	28.5%	20.6%
Corn	11.8%	3.6%
Crude Oil	-22.2%	45.0%
Gold	24.2%	-7.7
Natural Gas	20.4%	103.2%
Platinum	6.9%	-7.7%

Source: Refinitiv. Data to 27 September 2021.

Databank – Gain / loss so far in 2021



Source: Refinitiv. Data to 27 September 2021.